

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE  
COMMISSION

In the Matter of:

THE TARIFF FILING OF NORTH SHELBY }  
WATER COMPANY TO REVISE ITS EXTENSION }  
POLICY TO INCLUDE A LINE UPSIZE CHARGE }

CASE NO. 2005-00327

**ANSWERS TO COMMISSION STAFF'S FIRST INFORMATION  
REQUEST TO NORTH SHELBY WATER COMPANY**

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Comes North Shelby Water Company ("North Shelby"), by counsel, and for its Answers to Commission Staff's First Information Request to North Shelby state as follows:

1. Refer to Table I, which was derived from the information contained at the second page of North Shelby's Amended Motion ("Amended Motion").

a. Is North Shelby currently providing adequate service to all customers receiving service through the remaining 426,410 feet of 2- and 3-inch mains? Explain in full detail. Your response shall include discussion of all known and documented operating deficiencies with regard to the existing service through the 2- and 3-inch mains?

**ANSWER:** The answer to this question depends upon the definition of "adequate service" and the perspective of the person answering the question. Except during drought conditions, waterline breaks, and other system breakdowns, North Shelby is technically providing adequate service because it

provides a minimum of 30-psi at the customer's meter. However, many of our customers have moved onto our system from urban systems. They are not satisfied with 30-psi pressure. They expect 60- to 70-psi pressure, and therefore their answer would be that North Shelby is not providing adequate service. Obviously, the customers desiring fire protection do not consider their service adequate.

North Shelby does not maintain a centralized complaint registry and therefore cannot provide specific information regarding customer complaints without pulling the utility file for each address. North Shelby considers this method of tracking and recording customer complaints to be the better method because it allows North Shelby to track complaints at a given address dating back many years and over multiple customers. This makes it easier for North Shelby to determine when a complaint is valid and analyze the probable cause of a complaint.

The Commission is well aware of the historic operating deficiencies on Bob Rogers Road. North Shelby recently completed a replacement 6-inch water main using Line Enlargement Charge (hereinafter "LEC") funds and is in the process of switching customers over to the new main. No complaints have been received from customers who have been switched to the new line. The completion of the new pump station at Mink Run Road has significantly reduced complaints of the customers still connected to the old line. For instance, one customer who historically had a 28- 32-psi pressure at the meter is now receiving 80-psi service.

North Shelby has historically received many complaints from Mulberry Road and Spring Hill subdivision served by a lengthy dead-end 3-inch line. These complaints have been eliminated by the recent completion of the Mulberry Loop project which was financed using LEC funds.

Several years ago, North Shelby began denying requests for new meter hookups on the portion of Drane Lane served by a 2-inch water main due to inadequate pressure. That ban has now been lifted due to the completion of the Drane Lane loop, which was financed 25% by Shelby Fiscal Court and 75% by North Shelby LEC funds.

John Montgomery, a customer at the dead end of a 2-inch line at the top of a hill on Trammell Lane, has historically experienced inadequate pressure. His operating deficiencies have been completely eliminated by the completion of the Trammell Lane loop project, which was financed 25% by Shelby Fiscal Court and 75% by North Shelby LEC funds.

North Shelby has from time to time during drought conditions run out of water on Antioch Road. North Shelby intends to correct this problem by completion of its now-top priority LEC project, which is the replacement of the under-sized water mains on Harrington Mill, Hebron Road, Antioch Road, Todd's Point Road and other roads leading to the Jefferson County line. North Shelby plans to utilize LEC funds for the cost of a 6-inch main and upsize the line using general funds to a 12-inch line. A portion of this project on Aiken Road has already been completed as part of the Ash Avenue project. Another portion of this project, also on Aiken Road, is ready to be bid and will be constructed using

LEC funds, grant funds and North Shelby general revenue funds. A third section of the line is expected to be constructed at a developer's expense from the intersection of Antioch Road and Todds Point Road westward to the end of a new road. A fourth section of this line is expected to be constructed through the efforts of residents of Long Run subdivision who want their 3-inch water main replaced by a line which will include fire hydrants. The remainder of that project will be installed using LEC funds for the cost of a 6-inch water main and North Shelby general revenue funds for the upsize expense to a 12-inch main. The total estimated cost of this project is approximately 2.4 million dollars. North Shelby expects to use the remaining \$307,589.35 from the LEC account (and any additional LEC funds generated if the Commission extends the LEC tariff) supplemented by North Shelby's remaining cash reserves to construct this project within the next several years.

b. List and describe each complaint that North Shelby has received from customers currently receiving service through 2- and 3-inch mains. Provide a copy of all written complaints.

**ANSWER:** There have not been any written complaints according to the best information and belief of North Shelby's staff. North Shelby is unable to provide a list of the verbal complaints without extensive effort, which would involve pulling the individual service file for each address served by a 2- or 3-inch water main to determine if a complaint has been received from that address. Since North Shelby has always had the same consulting engineer and has had a relatively small turnover of management level staff, North Shelby has relied upon institutional memory to determine if significant customer complaints have been received from a given area of its system. If a pattern of complaints emerges, North Shelby has generally conducted a hydraulic analysis and performed other tests to determine and correct the problem. It was this type of procedure which led North Shelby to install the Bob Rogers Road upgrade, Mulberry loop, Drane Lane loop, and Trammell Road loop.

c. In North Shelby's opinion, is the Line Enlargement Charge an effective approach to line upsizing even though only 7 percent of the 2- and 3-inch mains have been replaced since the charge became effective? Why?

**ANSWER: Yes.**

**The percentage of 2- and 3-inch water mains that have been replaced is not really indicative of the success of the Line Enlargement Charge (LEC). First, as stated in our Amended Motion, four of the six projects funded thus far were loop completions as opposed to strictly line enlargement projects. The Drane Lane Loop and Mulberry Loop in particular reinforced some lengthy stretches of 2- and/or 3-inch lines allowing North Shelby to defer replacing those lines until additional growth forces their replacement.**

**Second, the LEC funds have not been used to replace only 2- and 3-inch mains. Some sections of 4-inch water mains have also been replaced, and others have been reinforced by the loop projects funded with LEC funds.**

**Finally, the LEC was never intended nor designed to replace all of the 2- and 3-inch lines. In fact, the LEC was not intended to specifically target lines of any given diameter – it was intended to generate funds to help pay for replacing or reinforcing 2-, 3- or 4-inch water mains which became inadequate in size.**

d. Does North Shelby intend to replace all remaining 2- and 3-inch mains? If not, explain why not.

**ANSWER: All 2-inch mains will be replaced. 3-inch mains will be replaced when service becomes inadequate. We anticipate all 3-inch lines will eventually be replaced.**

e. State North Shelby's present plans for replacing the existing 426,410 feet of 2- and 3-inch mains and the expected cost of the replacement. Your response should include specific time periods if these periods are known.

**ANSWER: North Shelby has no specific present plans for replacing all 2- and 3-inch mains, except that they will be replaced as needed. The estimated cost of replacing all 2- and 3-inch mains would be approximately \$5,931,363.00. Since the price of pipe and other construction materials has increased significantly as a result of Hurricane Katrina, if the project were bid today we expect the total cost would be higher.**

f. State the amount of the remaining 426,410 feet of main to be replaced that North Shelby will replace because of anticipated customer growth.

**ANSWER: Unknown, but we assume all of the 2- and 3-inch water mains will need to be replaced due to customer growth. Even if customer growth did not require their replacement, we anticipate some, if not all, of this line would need to be replaced in order to accommodate increasing political and customer demands for functional fire hydrants.**

g. State the amount of the remaining 426,410 feet of main that North Shelby will replace to normal deterioration.

**ANSWER: Unknown. However, North Shelby's experience to date indicates very little, if any, will be replaced due to normal deterioration. Almost all of North Shelby's pipe is PVC plastic, and experience thus far indicates very little, if any, deterioration. The plastic does become more brittle the longer it is in the ground. However, this does not seem to cause a problem except where the pipe is stressed, and in those locations a break eventually occurs. These isolated breaks are repaired as needed and it is not cost effective to replace these lines in order to avoid these relatively small repair expenses.**

h. Provide all engineering reports, studies, and analyses that North Shelby has performed or commissioned that address the systematic replacement and upgrading of its present 2- and 3-inch mains.

**ANSWER: None have been performed. At its April 2005 board meeting, North Shelby directed its engineer to perform a system-wide hydraulic analysis to determine which lines should be upgraded first.**

2. Refer to North Shelby's Amended Motion at 2.

a. Provide all reports, studies, analyses, and other documents upon which North Shelby relies to state that "there is a great deal of 4-inch line on our system which will eventually become obsolete or inadequate if current trends continue.

**ANSWER:** There are no reports, studies, analyses or other such documents. However, KRS 74.415 was amended three years before North Shelby's LEC was approved. The statute as amended requires the governing body of a water district or water association to consider the installation of fire hydrants on new or extended water lines, and specifically states that "the commissioner's or governing body will not eliminate fire hydrants from new or extended water lines unless they determine that hydrants are not feasible". A copy of that statute is enclosed with these Answers. The enactment of that statute, and the anticipation of increasing requirements for fire hydrants which require water mains of 6-inch or larger, was a significant factor in North Shelby's decision to apply to the Public Service Commission for the initial approval of the LEC. North Shelby believed at that time political pressure would result in increased governmental requirements of larger water mains to support fire hydrants. That has in fact occurred in Shelby County. Several years ago, Shelby Fiscal Court refused to approve development of a large 5-acre tract subdivision on U.S. 60 Water District's system unless the developer installed fire hydrants. Shelby Fiscal Court has made it clear that it intended to require fire hydrants in new subdivisions in Shelby County. North Shelby receives repeated requests

from customers for installation of fire hydrants on lines which are less than 6-inches in diameter, and those requests must be refused because of the inadequate line size. Fire departments in North Shelby's service area, particularly in the western part of Shelby County, are very vocal in their requests for additional fire hydrants on both new and existing water lines. These increasing expectations and governmental requirements for fire hydrants, which North Shelby expects will continue, are one of the two major reasons North Shelby believes a great deal of 4-inch line on its system will become inadequate. The other reason North Shelby believes these lines will become inadequate is the continued trend towards dividing former farms into 5-acre tract residential developments.

b. Provide the amount of 4-inch main in North Shelby's system.

**ANSWER: In excess of 316,800 linear feet.**

c. State North Shelby's present time table for replacing the 4-inch main and the expected cost of this replacement.

**ANSWER:** There is no time table. 4-inch water mains will be replaced whenever required to provide adequate domestic water service. These water mains will also be replaced if and when North Shelby is required to replace such lines for any other reason such as providing fire hydrants and fire protection. The estimated cost of replacement of all 4-inch pipe based upon 2004 prices would be approximately \$4,406,688.00. Since the price of pipe and other construction materials has significantly increased as a result of Hurricane Katrina, if the project were bid today we expect the total cost would be higher.

3. In its Amended Motion, North Shelby states that over the nearly 10-year period the Line Enlargement Charge has been in effect \$621,509.85 has been collected, \$312,920.50 has been expended, and \$307,589.35 remains in the account. Explain why if growth in North Shelby's service area is at a pace that requires significant line enlargements and requires the assessment of the Line Enlargement Charge, almost 50 percent of the proceeds from the Line Enlargement Charge remains unspent.

**ANSWER:** The terms of the LEC tariff required North Shelby to spend these funds only on projects listed on the priority list filed by North Shelby with the Commission and required North Shelby to construct those projects in the order listed on that priority list. The reason \$307,589.35 remains in the account is that the cost of constructing North Shelby's next priority project significantly exceeds this amount of money. The estimated cost of that project is \$2,391,000.00.

4. In Case No. 1995-00161, in which the Commission approved the line upsize charge, North Shelby requested that real estate developers be assessed only half of the cost of upsizing the line because it expected that the real estate developer who developed property on the opposite side of a road would pay the remaining cost. Has this occurred as anticipated? Explain.

**ANSWER: North Shelby has not kept records which would allow North Shelby to provide this information. It is believed this has occurred in several areas such as Anderson Lane, Harrington Mill Road, and Hebron Road. Farms are typically subdivided when the owner retires or after the farm is sold to a developer following the owner's death or retirement. Very few farms which change hands are not subdivided. Assuming an average 40 year working life, it will take at least another 30 years for all farms to change hands and be subdivided. If the LEC is extended, and continued for another 30 years, this will have occurred as anticipated.**

5. List each main extension that North Shelby has constructed since January 1, 1996 and for which it did not obtain a Certificate of public Convenience and Necessity. For each extension, state the length and size of each main. For each main installed that is less than 6-inches in diameter, explain how North Shelby determined the size of main, and state why North Shelby did not use a 6-inch main or larger.

**ANSWER:**

| PROJECT NUMBER | PROJECT NAME                               | LENGTH        | SIZE      | EXPLANATION FOR LINE UNDER 6"                                    |
|----------------|--|---------------|-----------|--|
| 04-15          | Old Mill Village                           | 910           | 6"        |  |
| 04-12          | Partridge Run                              | 1660          | 6"        |  |
| 04-09          | Oakmoor Woods                              | 2467          | 6"        |  |
| 04-05          | Vigo Road                                  | 867           | 6"        |  |
| 03-08          | Persimmon Ridge                            | 600<br>2650   | 6"<br>8"  |  |
| 03-01          | North Country/<br>Brassfield               | 2387<br>1000  | 6"<br>8"  |  |
| 02-40          | Cedarmore Ravine                           | 1500          | 6"        |  |
| 02-34          | KY 43                                      | 36338         | 6"        |  |
| 02-32          | Hansborough                                | 505           | 6"        |  |
| 02-26          | Mulberry Pk                                | 4150          | 6"        |  |
| 02-25          | Moody Pk                                   | 950           | 6"        |  |
| 02-16          | Magnolia Pl                                | 1825          | 6"        |  |
| 02-12          | Shelby Athletic                            | 2280          | 6"        |  |
| 02-11          | Beard's Ln                                 | 4260          | 6"        |  |
| 02-04          | Partridge Run                              | 1655          | 6"        |  |
| 02-03          | Monroe Ln/<br>Snow Hill/<br>Devil's Hollow | 5800<br>6403  | 4"<br>6"  | Extension only serves 7 customers & would not flow DOW Regs @ 6" |
| 02-01          | Cotter Farm                                | 2565          | 6"        |  |
| 01-26          | Shelby School                              | 300<br>75     | 8"<br>12" |  |
| 01-24          | Bellview Rd                                | 830           | 6"        |  |
| 00-26          | Arthur Hills                               | 1000          | 8"        |  |
| 00-25          | Mathis Ln                                  | 2023          | 6"        |  |
| 00-24          | Rattletrap Rd                              | 1850          | 6"        |  |
| 00-22          | North Country                              | 1000          | 12"       |  |
| 00-17          | Cedarmore Rd                               | 10230<br>2120 | 6"<br>8"  |  |

|       |                    |                      |                     |  |
|-------|--------------------|----------------------|---------------------|--|
| 00-14 | Watch Hill         | 3350                 | 8"                  |  |
| 00-12 | Magnolia Pl        | 140<br>1010<br>2360  | 6"<br>8"<br>12"     |  |
| 00-11 | Drane Ln           | 7105                 | 6"                  |  |
| 00-10 | Trammell Rd        | 1590                 | 6"                  |  |
| 00-09 | Ash Ave            | 5750<br>3340<br>1206 | 8"<br>12"<br>16" DI |  |
| 99-30 | Old Mill Village   | 725<br>1200<br>1720  | 6"<br>8"<br>12"     |  |
| 99-22 | Persimmon<br>Ridge | 2150                 | 8"                  |  |
| 97-21 | Floydsburg Rd      | 2000                 | 6"                  |  |
| 97-19 | Emma Wade<br>Rd    | 1150                 | 6"                  |  |
| 97-10 | Clear Creek        | 2600                 | 6"                  |  |
| 97-08 | Persimmon<br>Ridge | 1650<br>1800         | 6"<br>8"            |  |
| 97-06 | North Country      | 900<br>1000          | 8"<br>12"           |  |
| 97-02 | Aikenshire         | 880<br>1347          | 6"<br>8"            |  |
|       |                    |                      |                     |  |
|       |                    |                      |                     |  |

a. If the Commission finds that a system development charge is the more appropriate means for North Shelby to fund its capital improvements necessary for future growth and development and denies the request to continue the LEC, would North Shelby apply for a system development charge? Explain.

**ANSWER:** This decision, which would be made by North Shelby's Board of Directors, has not been made. North Shelby's Board apparently prefers the LEC to a system development charge since North Shelby's Board directed its attorney and staff to pursue an extension of the LEC rather than apply for a system development charge. One reason North Shelby might not apply for a system development charge is North Shelby's belief that such charges unfairly place the economic burden on the purchaser of a residential building lot. North Shelby believes this cost is better levied against the developer. It is believed the assessment of the LEC has not increased the price of lots in North Shelby's service area. As expected, developers have continued to charge the maximum price for their lots that the market will bear, regardless of their development costs. Thus, the cost of the LEC has come out of the profits of developers, rather than out of the pockets of North Shelby's customers in the form of a system development charge or in the form of a system-wide rate increase.

A system development charge would be more acceptable to North Shelby's Board if it could be assessed at the time of plat signing so it would be paid by the developer. Due to the time necessary to implement a system development

charge, North Shelby would need the LEC extended for a year or two so there would be no gap, and in fairness, there should be an exemption for lots on which the LEC has already been paid.

b. If the Commission denies North Shelby's request to continue the LEC tariff and North Shelby does not apply for a system development charge, would North Shelby consider collecting funds for line enlargements through a system-wide surcharge as allowed by KRS 74.395(4)? Explain.

**ANSWER:** This would be a decision to be made by North Shelby's Board of Directors, however it is doubtful North Shelby would enact such a system-wide surcharge. North Shelby could have adopted this approach initially rather than obtaining approval for the LEC, but chose the latter over a surcharge. There is no reason to expect North Shelby's Board would reach a different decision at this time. In any event, it would be simpler to borrow the money to complete the system improvements and pass that expense along to the customers through a rate increase. North Shelby would prefer not to increase rates to its customers to finance line enlargements required as a result of development because those customers are not sharing in the profits of such development and should not be required to pay the infrastructure costs of such development.

c. North Shelby's expenditures from the line enlargement account per 1,000 gallons sold is \$.1035 (\$312,920.50 total expended/3,024,402 total thousand gallons sold between January 1, 1996 and December 31, 2004). Assume that a monthly surcharge of \$.11 per thousand gallons is sufficient to fund enlargements at the historic level, and that such charge represents approximately a 25 percent increase in the average bill for a current North Shelby customer. In light of these assumptions, explain why the use of a system-wide surcharge would not be an appropriate and equitable means of funding necessary enlargements.

**ANSWER: A surcharge would not be an appropriate and equitable means of funding necessary enlargements because the surcharge would be paid by customers who have not shared in the profits of the development which has created the need for the necessary enlargements. North Shelby believes developers should pay for the infrastructure costs they make necessary. In a new small lot or 5-acre tract residential subdivision involving the construction of a new road, the developer always pays to install the water main adequate in size to serve that development, including fire protection. Why should developers of 5-acre tracts along existing water mains escape the payment of the same infrastructure costs merely because a small water line was installed years ago to serve farms?**

6. Administrative Regulation 807 KAR 5:090 and KRS 74.395 provide two methods to generate capital improvement funds outside of general rates. These two methods require the submission of more specific capital improvement forecasts and plans. Explain why, in light of the availability of these methods, North Shelby requires the continuation of its Line Enlargement Charge to generate capital improvement funds.

**ANSWER:** Neither a system development charge pursuant to 807 KAR 5:090 nor a temporary surcharge as allowed by KRS 74.395 are appropriate to correct the problem faced by North Shelby because both of these funding mechanisms will impose the cost of the improvements on North Shelby's existing customers. North Shelby's existing customers did not share in the profits generated by the developments which created the need for the enlarged water mains. North Shelby adamantly believes this infrastructure cost should be born by the developers. Under ordinary circumstances, absent a LEC, the only time a jurisdictional utility can force a developer to replace water mains is if the proposed development will require more water than can be supplied by the existing system. This works fine for large developments composed of many lots which imposes a sudden large increase in demand. It does not work well for smaller developments of five or ten lots. It is the incremental burden imposed by several such smaller developments that generally renders a water main insufficient in size. It is only the last such development which can be forced to enlarge the water main and often that enlargement is not financially feasible for a five or ten lot development, the development is therefore cancelled, and the utility

must enlarge the main. An example of this incremental inadequacy was the Bob Rogers Road situation.

A system development charge under 807 KAR 5:090 would be an option if it could be assessed and paid by the developer at the time of plat signing and if the LEC were extended until that system development charge was implemented.

7. When approving the Line Enlargement Charge, the Commission required North Shelby to file annually with the Commission the following information: a list of prioritized projects together with the estimated cost of each project, the list of projects completed during the year, the cost of each project, an itemization of the LEC revenues collected from developers during the year, the individual expenditures, and the balance of funds remaining in the escrow account. The Commission further required North Shelby to place all funds collected from the charge in an escrow account to be used for enlargement or connection expenses. In an Accounting Inspection Report ("Report") {a copy of which was attached as Appendix A to the original information request submitted by the Commission Staff} the Commission's Financial Audit Branch found instances in which it appears that North Shelby failed to comply with the Commission's Order. {North Shelby's response to the Report was attached as Appendix B to the original information request submitted by the Commission Staff.}

a. Provide a copy of each filing that North Shelby filed with the Commission in accordance with the Commission's Order in Case No. 1995-00161.

**ANSWER: See attached pages.**

**1995**

Priority list only – other information not due until after 1995 year end.

**LINE UPSIZE CHARGE****1995 PRIORITY LIST**

The distribution system of the North Shelby Company has more than 250 miles of pipelines. The portion of the system with sub-standard pipelines amounts to more than 86 miles. Approximately 416,000 linear feet of 3-inch and more than 42,000 linear feet of 2-inch pipe makes up the current system. In addition to these small pipelines several larger pipes need upgrading as well.

The priority list for upgrades is as follows:

1. Harrington Mill Upgrade  
The existing 3-inch pipeline was part of the original construction of the Water Company. The proximity to Shelbyville has led to the construction of numerous single family homes and one subdivision along the main. The line consists of 13,000 linear feet of pipeline. The upgrading would consist of 11,000 linear feet of 8-inch and 2,000 linear feet of 6-inch pipelines. The total expected cost is approximately \$126,350.
2. Bob Rogers Road Upgrade  
The existing 2-inch pipeline along Bob Rogers Road was 2,000 linear feet of original construction with 8,000 linear feet added in subsequent extensions. The continued growth of this area with rural residences has made the 2-inch lines obsolete. The upgrade would require replacement of 6,000 linear feet of lines and the closing of a loop with 5,000 linear feet of lines. The total expected cost is approximately \$82,500.
3. Long Run Road Upgrade  
Some years ago, a pumping station and connector to Louisville Water System gave North Shelby another source of supply. The continued growth along Long Run, with subdivisions and the addition of the Women's Penitentiary as a customer has called for increased amounts of water. The 6-inch pipeline must be upgraded to at least an 8-inch line. The expected cost of the 11,000 linear feet to 8-inch is approximately \$110,000.

#### 4. Lebanon Ridge Connection

The 4-inch line along Lebanon Ridge Road has been lengthened several times since the first section was installed in the late 70's. The continued growth of rural residences along this road make it one of the Company's most populous 4-inch lines. The line needs to be upgraded or reinforced. The most cost effective upgrade is to loop the end of the line and connect it to an existing 8-inch line on KY 12. The connection would consist of 8-inch and 6-inch lines running approximately 10,000 linear feet. The expected cost is approximately \$100,000.

## 1996

Priority List: No change from 1995 list, therefore, engineer believed no new filing was necessary.

### 1995 Financial Information:

No LEC funds spent in 1995

Itemization of amounts collected and year end total of LEC account unavailable – couldn't find company records and not available from bank due to age

**LINE UPSIZE CHARGE****~~1995~~ PRIORITY LIST**

1996

The distribution system of the North Shelby Company has more than 250 miles of pipelines. The portion of the system with sub-standard pipelines amounts to more than 86 miles. Approximately 416,000 linear feet of 3-inch and more than 42,000 linear feet of 2-inch pipe makes up the current system. In addition to these small pipelines several larger pipes need upgrading as well.

The priority list for upgrades is as follows:

1. Harrington Mill Upgrade  
The existing 3-inch pipeline was part of the original construction of the Water Company. The proximity to Shelbyville has led to the construction of numerous single family homes and one subdivision along the main. The line consists of 13,000 linear feet of pipeline. The upgrading would consist of 11,000 linear feet of 8-inch and 2,000 linear feet of 6-inch pipelines. The total expected cost is approximately \$126,350.
2. Bob Rogers Road Upgrade  
The existing 2-inch pipeline along Bob Rogers Road was 2,000 linear feet of original construction with 8,000 linear feet added in subsequent extensions. The continued growth of this area with rural residences has made the 2-inch lines obsolete. The upgrade would require replacement of 6,000 linear feet of lines and the closing of a loop with 5,000 linear feet of lines. The total expected cost is approximately \$82,500.
3. Long Run Road Upgrade  
Some years ago, a pumping station and connector to Louisville Water System gave North Shelby another source of supply. The continued growth along Long Run, with subdivisions and the addition of the Women's Penitentiary as a customer has called for increased amounts of water. The 6-inch pipeline must be upgraded to at least an 8-inch line. The expected cost of the 11,000 linear feet to 8-inch is approximately \$110,000.

#### 4. Lebanon Ridge Connection

The 4-inch line along Lebanon Ridge Road has been lengthened several times since the first section was installed in the late 70's. The continued growth of rural residences along this road make it one of the Company's most populous 4-inch lines. The line needs to be upgraded or reinforced. The most cost effective upgrade is to loop the end of the line and connect it to an existing 8-inch line on KY 12. The connection would consist of 8-inch and 6-inch lines running approximately 10,000, linear feet. The expected cost is approximately \$100,000.

## 1997

Priority List: No change from 1995 list, therefore, engineer believed no new filing was necessary.

### 1996 Financial Information:

No LEC funds spent in 1996

Itemization of amounts collected and year end total of LEC account unavailable – couldn't find company records and not available from bank due to age

#### Note

|                   |                                   |
|-------------------|-----------------------------------|
| 81,803.03         | 1997 year end LEC account balance |
| <u>- 212.04</u>   | 1997 interest earned              |
| 81,590.99         | Adjusted balance                  |
| <u>-53,307.72</u> | LEC collected in 1997             |

28,283.27 = Total LEC funds collected plus interest earned in 1995 and 1996

**LINE UPSIZE CHARGE****~~1995~~ PRIORITY LIST**

1997

The distribution system of the North Shelby Company has more than 250 miles of pipelines. The portion of the system with sub-standard pipelines amounts to more than 86 miles. Approximately 416,000 linear feet of 3-inch and more than 42,000 linear feet of 2-inch pipe makes up the current system. In addition to these small pipelines several larger pipes need upgrading as well.

The priority list for upgrades is as follows:

1. Harrington Mill Upgrade  
The existing 3-inch pipeline was part of the original construction of the Water Company. The proximity to Shelbyville has led to the construction of numerous single family homes and one subdivision along the main. The line consists of 13,000 linear feet of pipeline. The upgrading would consist of 11,000 linear feet of 8-inch and 2,000 linear feet of 6-inch pipelines. The total expected cost is approximately \$126,350.
2. Bob Rogers Road Upgrade  
The existing 2-inch pipeline along Bob Rogers Road was 2,000 linear feet of original construction with 8,000 linear feet added in subsequent extensions. The continued growth of this area with rural residences has made the 2-inch lines obsolete. The upgrade would require replacement of 6,000 linear feet of lines and the closing of a loop with 5,000 linear feet of lines. The total expected cost is approximately \$82,500.
3. Long Run Road Upgrade  
Some years ago, a pumping station and connector to Louisville Water System gave North Shelby another source of supply. The continued growth along Long Run, with subdivisions and the addition of the Women's Penitentiary as a customer has called for increased amounts of water. The 6-inch pipeline must be upgraded to at least an 8-inch line. The expected cost of the 11,000 linear feet to 8-inch is approximately \$110,000.

#### 4. Lebanon Ridge Connection

The 4-inch line along Lebanon Ridge Road has been lengthened several times since the first section was installed in the late 70's. The continued growth of rural residences along this road make it one of the Company's most populous 4-inch lines. The line needs to be upgraded or reinforced. The most cost effective upgrade is to loop the end of the line and connect it to an existing 8-inch line on KY 12. The connection would consist of 8-inch and 6-inch lines running approximately 10,000, linear feet. The expected cost is approximately \$100,000.

## 1998

Priority List: New 1998 Priority List attached, but projects and order listed unchanged from 1995 through 1997.

### 1997 Financial Information:

No LEC funds spent in 1997

Itemization of LEC amounts collected in 1997 and balance in LEC account at end of 1997 attached

Itemization of LEC calculations producing new 1998 LEC rate attached, including corrected calculations by Chris Whelan of PSC

## LINE UPSIZE CHARGE

## 1998 PRIORITY LIST

The distribution system of the North Shelby Company has more than 250 miles of pipelines. The portion of the system with sub-standard pipelines amounts to more than 86 miles. Approximately 416,000 linear feet of 3-inch and more than 42,000 linear feet of 2-inch pipe makes up the current system. In addition to these small pipelines several larger pipes need upgrading as well.

No construction took place since the original priority list developed in 1995 except the loop closing on Bob Rogers Road. This was done with other company funds and did not reduce the money being accumulated.

The priority list for upgrades is as follows:

1. Harrington Mill Upgrade

The existing 3-inch pipeline was part of the original construction of the Water Company. The proximity to Shelbyville has led to the construction of numerous single family homes and one subdivision along the main. The line consists of 13,000 linear feet of pipeline. The upgrading would consist of 11,000 linear feet of 8-inch and 2,000 linear feet of 6-inch pipelines. The total expected cost is approximately \$126,350.

2. Bob Rogers Road Upgrade

The existing 2-inch pipeline along Bob Rogers Road was 2,000 linear feet of original construction with 8,000 linear feet added in subsequent extensions. The continued growth of this area with rural residences has made the 2-inch lines obsolete. The upgrade would require replacement of 6,000 linear feet of lines. The total expected cost is approximately \$50,000.

3. Long Run Road Upgrade

Some years ago, a pumping station and connector to Louisville Water System gave North Shelby another source of supply. The continued growth along Long Run, with subdivisions and the addition of the Women's Penitentiary as a customer has called for increased amounts of water. The 6-inch pipeline must be upgraded to at least an 8-inch line. The expected cost of the 11,000 linear feet to 8-inch is approximately \$110,000.

4. Lebanon Ridge Connection

The 4-inch line along Lebanon Ridge Road has been lengthened several times since the first section was installed in the late 70's. The continued growth of rural residences along this road make it one of the Company's most populous 4-inch lines. The line needs to be upgraded or reinforced. The most cost effective upgrade is to loop the end of the line and connect it to an existing 8-inch line on KY 12. The connection would consist of 8-inch and 6-inch lines running approximately 10,000 linear feet. The expected cost is approximately \$100,000.

# NORTH SHELBY WATER

---

P.O. BOX 97  
HIGHWAY 395  
BAGDAD, KENTUCKY 40003  
TELEPHONE (502) 747-8942

## Line Up-Size Charge 1997 Activities

|                           |                        |                  |
|---------------------------|------------------------|------------------|
| 3/13/97<br>Davenport Farm | 819.36ft               | \$4,367.24       |
| 3/18/97<br>Nolan Road     | 250ft                  | 1,332.50         |
| 5/22/97<br>GABA Farm      | 5,284.53ft             | 28,166.54        |
| 6/18/97<br>Saunders       | 906.29ft               | 4,830.52         |
| 7/30/97<br>Zenger         | 2,741.26ft             | <u>14,610.92</u> |
| Total                     | Balance as of 12/31/97 | \$81,801.03      |

*53,307.72 collected in 1997*

*NOTE: No projects were started in 1997. New 5/18/98*

*NOTE: I filed a copy of this in the 1997 annual report*

# SHELBY COUNTY TRUST BANK

STATEMENT

Downtown - Waddy - U.S. 60 West - Simpsonville

NORTH SHELBY WATER COMPANY  
 LINE UPSIDE SURCHARGE  
 P O BOX 97  
 BAGDAD KY 40003

29

12-31-97  
 PAGE 1  
 5115159

AS OF 8/1/97 CASHLINE LOAN ACCOUNTS WILL BE ASSESSED  
 A \$20 ANNUAL FEE & A \$5 LATE FEE AFTER THE DUE DATE.

511 515 9 MONEY MARKET SAVINGS

SCP-04

|                   |          |           |
|-------------------|----------|-----------|
| PREVIOUS BALANCE  | 11-30-97 | 81,588.99 |
| +DEPOSITS/CREDITS | 0        | .00       |
| -CHECKS/DEBITS    | 0        | .00       |
| +INTEREST PAID    |          | 212.04    |
| CURRENT BALANCE   |          | 81,801.03 |

\*- - - - - INTEREST SUMMARY - - - - -\*

INTEREST EARNED FROM 11-30-97 TO 12-31-97

|                                |          |
|--------------------------------|----------|
| DAYS IN PERIOD                 | 31       |
| INTEREST EARNED                | 212.04   |
| ANNUAL PERCENTAGE YIELD EARNED | 3.10     |
| INTEREST PAID THIS YEAR        | 1,755.76 |

\*- - - - - INTEREST RATE SUMMARY - - - - -\*

| DATE  | RATE | DATE | RATE | DATE | RATE |
|-------|------|------|------|------|------|
| 11/30 | 3.06 |      |      |      |      |

\*- - - - -

| CHECK | CHECK | DEPOSIT  | DATE  | BALANCE  |
|-------|-------|----------|-------|----------|
|       |       | 212.04IN | 12-31 | 81801.03 |

NO ENCLOSURES THIS ACCOUNT





COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**  
730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KENTUCKY 40602  
(502) 564-3940

April 14, 1998

Duncan LeCompt, President  
North Shelby Water Company  
P. O. Box 97  
Bagdad, Kentucky 40003

Dear Mr. LeCompt:

Enclosed is a copy of our final report on the review of North Shelby Water Company's line-enlargement charge. The district has 20 days from the receipt of this report to respond to the deficiencies noted. If you have any questions, please call me at (502) 564-3940.

Very truly yours,

A handwritten signature in cursive script that reads "Chris Whelan".

M. Christina Whelan, CPA  
Audit Reviewer  
Division of Financial Analysis

# REPORT ON REVIEW OF SPECIAL CHARGE FOR NORTH SHELBY WATER COMPANY

## BACKGROUND

In Case No. 95-161 the Commission approved a line enlargement charge for North Shelby Water Company ("North Shelby"). This novel tariff provision requires a developer who is creating a residential development on an existing waterline to pay one-half the cost of enlarging the line. The charge was approved for a period of ten years beginning January 1, 1996. The following special requirements were included in the final order:

- A prioritized list of proposed enlargement projects, together with the estimated cost of each project, shall be filed with the Commission each year as a special supplement to its annual report. The filing shall also include the list of projects completed during the year, the cost of each project, an itemization of the amounts of line enlargement charges collected from developers during the year, the individual expenditures, and the balance of the funds remaining in the escrow account.
- The utility shall place all funds collected from the charge in an escrow account to be used solely for enlarging distribution lines, or when more practical, for the installation of connections between water mains, in accordance with the prioritized list of proposed enlargement projects submitted to the Commission.
- North Shelby shall monitor the status and effectiveness of the charge throughout the ten-year period and be prepared to demonstrate to the Commission the appropriateness of the charge.

## APPROACH

A review of the line-enlargement charge was performed on March 10, 1998, with a field visit to the association's office by Chris Whelan of the Financial Audit Branch. Records examined during the field visit included bank statements, a list of collections for the charge, the prioritized list, and correspondence.

## FINDINGS

The association first collected the special charge on February 13, 1996, at a rate of \$3.00 per foot of property frontage. Each charge after that was made at a rate of \$5.33 per foot. The latter is based on a letter sent to the utility by its engineers in February 1996 which stated that in 1995 the utility had installed 8,300 linear feet of pipe at a cost of \$88,497.00 which calculates a cost per foot of \$10.66. The letter also stated

that this cost was to be used for 1996 and a new charge should be calculated for 1997. The utility did not recalculate the cost per foot for 1997.

When asked why the first charge was made at \$3.00 per foot, the manager, Darrell Dees, stated that the first person to pay was quoted that rate initially by the former manager and was allowed to pay that rate. The Commission's engineering division was consulted as to the reasonableness of the \$10.66 per foot charge to lay a six-inch waterline. According to Engineering staff this amount seems high even if it includes engineering, administrative, and other incidental costs. The utility was asked to provide a detailed breakdown of the \$88,497.00 used in the calculation and was unable to do so. The district is advised to recalculate the cost per foot to lay a six-inch waterline, keep detailed records of the calculation, and send a copy to the Financial Audits Branch of the Commission for review. This new cost per foot should be charged on a going-forward basis and should be updated each year. North Shelby is reminded that the line-enlargement charge must be based on the actual cost to install a six-inch line and this cost must be documented or refunds could be ordered by the Commission.

The escrow account was examined and all collections appear to have been deposited into the account. Through February 24, 1998, \$81,882.49 has been collected and deposited into the account. The utility has not yet begun any enlargement project as the highest priority project will cost more than is currently collected. No disbursements were noted other than a refund to a customer whose plat was denied zoning.

North Shelby filed with its 1996 annual report some of the information required by the Order but did not include the prioritized list and the estimated cost of each proposed project. The 1997 annual report was filed March 31, 1998 and does not include any of the required information. North Shelby is advised to immediately file this information as a supplement to its 1997 annual report.

The utility was ordered to monitor the status and effectiveness of the charge; however, it appears to be too soon to make a determination of effectiveness.

### CONCLUSION

Given the little activity with regards to line-enlargement charges, it is disturbing to note the aforementioned problems experienced by the utility in complying with the Order. As a result the Commission will make another review of this charge in two years to determine compliance and will make a determination at that time as to what, if any, action will be taken. North Shelby is advised to correct all deficiencies noted in this report.

# NORTH SHELBY WATER

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P.O. BOX 97  
HIGHWAY 395  
BAGDAD, KENTUCKY 40003  
TELEPHONE (502) 747-8942

May 12, 1998

Chris Whelan CPA  
Public Service Commission  
730 Schenkel Lane  
P.O.Box 615  
Frankfort, Ky 40602

RE: Line Up-Size Charge Program

Dear Ms Whelan,

The North Shelby Water Company has completed an Updated cost analysis for our Line Up-Size Charge Program. We have also updated the Priority List for the above mentioned program. Both are attached to be added as supplements to our 1997 Annual Report.

These costs will be updated each year by our engineer, Sandy Broughman, and included with the Annual Report.

If there are any questions or concerns with this program, please contact me at the office (502) 747-8942 or mobile 693-7862.

Sincerely,



Darrell Dees  
Manager  
North Shelby Water

# NORTH SHELBY WATER COMPANY

PROJECT #: 98-07  
4/23/98

## LINE UPSIZE REVISIONS

| Project                   | Project # | (1)<br>Total Project Cost | (2)<br>Total Length of Extension (ft) | (3)<br>Length of 6" Pipe (ft) | (4) = (3) / (2)<br>Percentage of 6" Pipe | (5) = (1) * (4)<br>Percentage of Total Cost | (6) = (5) / (3)<br>Cost per Linear Foot of 6" Pipe |
|---------------------------|-----------|---------------------------|---------------------------------------|-------------------------------|--|---|--|
| Aikenshire Estates        | 97-02     | \$26,671.15               | 2080                                  | 880                           | 0.423076923                              | \$11,283.95                                 | \$12.82  |
| Catwalk Road Extension    | 95-07     | \$91,953.65               | 10000                                 | 6500                          | 0.65                                     | \$59,769.87                                 | \$9.20   |
| North Country Subdivision | 97-06     | \$65,293.00               | 1660                                  | 500                           | 0.301204819                              | \$19,666.57                                 | \$39.33  |
| Persimmon Ridge Drive     | 97-08     | \$35,318.75               | 3260                                  | 1731                          | 0.530981595                              | \$18,753.61                                 | \$10.83  |
| Clear Creek Extension     | 97-10     | \$16,488.72               | 2780                                  | 2780                          | 1  | \$16,488.72                                 | \$5.93   |
| Emma Wade Road            | 97-19     | \$9,172.45                | 225                                   | 225                           | 1  | \$9,172.45                                  | \$40.77  |
|                           |           |                           | <b>TOTAL LENGTH:</b>                  | <b>12616</b>                  | <b>TOTAL COST:</b>                       | <b>\$135,135.16</b>                         | <b>\$10.71</b>                                     |



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**  
730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KENTUCKY 40602  
(502) 564-3940

May 14, 1998

Darrell Dees, Manager  
North Shelby Water Company  
P. O. Box 97  
Bagdad, Kentucky 40003

Dear Mr. Dees:

I have received your response to the deficiencies noted in the Commission's report on North Shelby Water Company's line enlargement charge. However, the response does not sufficiently address our concerns.

The line upsize revision filed gives project costs but does not give a breakdown of the costs into the individual components such as engineering, administrative, pipe, other materials, etc., for each project listed. This information needs to be filed in order to determine the reasonableness of the charge. Also, your letter stated that the priority list was updated and enclosed; however, the priority list enclosed was the original list presented in 1995.

In addition, the order in Case No. 95-161 required the annual filing to include an itemization of the amounts of line enlargement charges collected from developers during the year, the individual expenditures (if any), and the balance of the funds remaining in the escrow account. This information was not filed for the year 1997.

North Shelby has 20 days from the receipt of this letter to respond to the deficiencies noted herein. If you have any questions, please call me at (502) 564-3940.

Very truly yours,

A handwritten signature in cursive script that reads "Chris Whelan".

M. Christina Whelan, CPA  
Audit Reviewer  
Division of Financial Analysis

Warner A. Broughman III  
 and Associates

Darrell,

This is a break down of how this was calculated and where the numbers came from. In the first figure it shows the actual number for the cost of the project and how I broke down the cost per linear foot. This should explain very well how we came up with that number. In the following pages I have given you an estimate based on the prices and quantities at the time of bidding. As you can see these numbers do not vary much from the actual numbers. I gave you this because it already has a very close breakdown of the quantities and to nail it down to exact numbers on the quantities would take quite a bit of file searching and a lot of time. Since the numbers are so close I think this should be good enough to see that the numbers are correct and that the upsize charge was calculated in a fair and appropriate manner.

| Project                   | Project # | (1)<br>Total Project Cost | (2)<br>Total Length of Extension (ft) | (3)<br>Length of 6" Pipe (ft) | (4) = (3) / (2)<br>Percentage of 6" Pipe | (5) = (1) * (4)<br>Percentage of Total Cost | (6) = (5) / (3)<br>Cost per Linear Foot of 6" Pipe |
|---------------------------|-----------|---------------------------|---------------------------------------|-------------------------------|--|---|--|
| Aikenshire Estates        | 97-02     | \$26,671.15               | 2080                                  | 880                           | 0.423076923                              | \$11,283.95                                 | \$12.82  |
| Catwalk Road Extension    | 95-07     | \$91,953.65               | 10000                                 | 6500                          | 0.65                                     | \$59,769.87                                 | \$9.20   |
| North Country Subdivision | 97-06     | \$65,293.00               | 1660                                  | 500                           | 0.301204819                              | \$19,666.57                                 | \$39.33  |
| Persimmon Ridge Drive     | 97-08     | \$35,318.75               | 3260                                  | 1731                          | 0.530981595                              | \$18,753.61                                 | \$10.83  |
| Clear Creek Extension     | 97-10     | \$16,488.72               | 2780                                  | 2780                          | 1  | \$16,488.72                                 | \$5.93   |
| Emma Wade Road            | 97-19     | \$9,172.45                | 225                                   | 225                           | 1  | \$9,172.45                                  | \$40.77  |
|                           |           |                           | <b>TOTAL LENGTH:</b>                  | 12616                         | <b>TOTAL COST:</b>                       | \$135,135.16                                | \$10.71  |

# BID ESTIMATE

*Estimated from BID received from Minority Contracting, Inc.*

**Location:** Aikenshire Estates

**Project No:** 97-02

Client Name: Bob Brown

Date Prepared: May 15, 1998

Client Address:

Client Phone:

Client Fax:

Water Utility: North Shelby Water Company

Utility Phone: (502) 747-8942

Utility Address: PO Box 97  
Bagdad, KY 40003

Utility Fax: (502) 747-5048

Special Problems:

Number Of Tap-ons:

| ITEM NO. | SIZE   | ITEM                   | AMOUNT | UNIT | UNIT PRICE | TOTAL PRICE |
|----------|--------|------------------------|--------|------|------------|-------------|
| 1        | 8-inch | PVC Pipe               | 1347   | L.F. | \$9.75     | \$13,133.25 |
| 2        | 6-inch | PVC Pipe               | 880    | L.F. | \$7.00     | \$6,160.00  |
| 3        | 8-inch | Gate Valve and Box     | 0      | EACH |            | \$0.00      |
| 4        |        | Fire Hydrant and Valve | 3      | EACH | \$1,500.00 | \$4,500.00  |
| 5        | 2-inch | PVC Sleeve             | 0      | L.F. |            | \$0.00      |
| 6        |        | Crushed Stone          | 0      | TONS |            | \$0.00      |
| 7        |        | Class C Concrete       | 2      | C.Y. | \$100.00   | \$200.00    |
| 8        |        | Site Videotaping       | 1      | EACH | \$25.00    | \$25.00     |
|          |        |                        |        |      |            | \$0.00      |
|          |        |                        |        |      |            | \$0.00      |
|          |        |                        |        |      |            | \$0.00      |
|          |        |                        |        |      |            | \$0.00      |
|          |        |                        |        |      |            | \$0.00      |
|          |        |                        |        |      |            | \$0.00      |
|          |        |                        |        |      |            | \$0.00      |

**TOTAL CONSTRUCTION:** \$24,018.25

DIVISION OF WATER PROCESSING FEE: \$150.00

ENGINEERING: \$2,100.00

INSPECTION:

LEGAL \$100 PER EASEMENT +2%: \$400.00

**TOTAL NON-CONSTRUCTION:** \$2,650.00

**TOTAL PROJECT: \$26,668.25**

# BID ESTIMATE

*Estimated from BID received from Persimmon Ridge Development*

**Location:** Persimmon Ridge Subdivision Phase VII **Project No:** 97-08

Client Name: Persimmon Ridge Development Date Prepared: May 15, 1998  
Lawren Just, Vice President  
Client Address: 253 Persimmon Ridge Drive Client Phone: (502) 241-9890  
Louisville, KY 40245 Client Fax:  
Water Utility: North Shelby Water Company Utility Phone: (502) 747-8942  
Utility Address: PO Box 97 Utility Fax: (502) 747-5048  
Bagdad, KY 40003  
Special Problems: None Number Of Tap-ons: N/A

| ITEM NO. | SIZE   | ITEM               | AMOUNT | UNIT | UNIT PRICE | TOTAL PRICE |
|----------|--------|--------------------|--------|------|------------|-------------|
| 1        | 8-inch | PVC Pipe           | 1,800  | L.F. | \$ 6.50    | \$11,700.00 |
| 2        | 6-inch | PVC Pipe           | 1,650  | L.F. | \$ 5.00    | \$8,250.00  |
| 3        | 8-inch | Gate Valve Box     | 2      | EACH | \$ 450.00  | \$ 900.00   |
| 4        | 6-inch | Gate Valve Box     | 3      | EACH | \$ 350.00  | \$1,050.00  |
| 5        |        | Fire Hydrant Valve | 4      | EACH | \$1,500.00 | \$6,000.00  |
| 6        | 2-inch | PVC Sleeve         | 385    | L.F. | \$ 3.75    | \$1,443.75  |
| 7        |        | Class C Concrete   | 1      | C.Y. | \$ 75.00   | \$ 75.00    |
| 8        |        | Crushed Stone      | 25     | TONS | \$ 10.00   | \$ 250.00   |

**TOTAL CONSTRUCTION:** \$29,668.75

DIVISION OF WATER PROCESSING FEE: \$ 150.00

ENGINEERING: \$5,500.00

INSPECTION:

LEGAL \$100 PER EASEMENT +2%:

**TOTAL NON-CONSTRUCTION:** \$5,650.00

**TOTAL PROJECT: \$35,318.75**

# BID ESTIMATE

*Estimated from BID received from Rick Price's Plumbing & Trenching, Inc.*

**Location:** Emma Wade Road **Project No:** 97-19

Client Name: James "Tucky" Johnson Date Prepared: May 15, 1998

Client Address: Emma Wade Road  
Bagdad, KY 40003 Client Phone:  
Client Fax:

Water Utility: North Shelby Water Company Utility Phone: (502) 747-8942

Utility Address: PO Box 97 Utility Fax: (502) 747-5048  
Bagdad, KY 40003

Special Problems: Number Of Tap-ons:

| ITEM NO. | SIZE   | ITEM                  | AMOUNT | UNIT | UNIT PRICE | TOTAL PRICE |
|----------|--------|-----------------------|--------|------|------------|-------------|
| 1        | 6-inch | PVC Pipe              | 1150   | L.F. | \$5.23     | \$6,014.50  |
| 2        | 6-inch | Gate Valve and Box    | 1      | EACH | \$431.50   | \$431.50    |
| 3        | 3-inch | Blowoff Valve and Box | 1      | EACH | \$400.00   | \$400.00    |
| 4        |        | Class C Concrete      | 1      | C.Y. | \$100.00   | \$100.00    |
| 5        |        | Crushed Stone         | 20     | TONS | \$10.00    | \$200.00    |
| 6        |        | Site Videotaping      | 1      | EACH | \$25.00    | \$25.00     |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |

**TOTAL CONSTRUCTION: \$7,171.00**

DIVISION OF WATER PROCESSING FEE: \$150.00

ENGINEERING: \$1,850.00

INSPECTION:

LEGAL \$100 PER EASEMENT +2%:

**TOTAL NON-CONSTRUCTION: \$2,000.00**

**TOTAL PROJECT: \$9,171.00**

# BID ESTIMATE

*Estimated from BID received from Rick Price's Plumbing & Trenching, Inc.*

**Location:** Clear Creek Road

**Project No:** 97-10

**Client Name:** Don Hamilton

**Date Prepared:** May 15, 1998

**Client Address:**

**Client Phone:**

**Client Fax:**

**Water Utility:** North Shelby Water Company

**Utility Phone:** (502) 747-8942

**Utility Address:** PO Box 97

**Utility Fax:** (502) 747-5048

Bagdad, KY 40003

**Special Problems:**

**Number Of Tap-ons:**

| ITEM NO. | SIZE   | ITEM                  | AMOUNT | UNIT | UNIT PRICE | TOTAL PRICE |
|----------|--------|-----------------------|--------|------|------------|-------------|
| 1        | 6-inch | PVC Pipe              | 2,600  | L.F. | \$4.90     | \$12,740.00 |
| 2        | 3-inch | Gate Valve and Box    | 3      | EACH | \$394.24   | \$1,182.72  |
| 3        | 3-inch | Blowoff Valve and Box | 1      | EACH | \$400.00   | \$400.00    |
| 4        |        | Crushed Stone         | 35     | TONS | \$10.00    | \$350.00    |
| 5        |        | Class C Concrete      | 1      | C.Y. | \$100.00   | \$100.00    |
| 6        |        | Site Videotaping      | 1      | EACH | \$25.00    | \$25.00     |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |

**TOTAL CONSTRUCTION:** \$14,977.72

**DIVISION OF WATER PROCESSING FEE:** \$150.00

**ENGINEERING:** \$1,700.00

**INSPECTION:**

**LEGAL \$100 PER EASEMENT +2%:** \$100.00

**TOTAL NON-CONSTRUCTION:** \$1,950.00

**TOTAL PROJECT:** \$16,747.72



# BID ESTIMATE

*Estimated from BID received from Reliant Construction Co., Inc.*

**Location:** Catwalk Road **Project No:** 95-07

Client Name: Catwalk Road Residents Date Prepared: May 15, 1998  
Client Address: Catwalk Road Client Phone:  
Bagdad, KY 40003 Client Fax:

Water Utility: North Shelby Water Company Utility Phone: (502) 747-8942  
Utility Address: PO Box 97 Utility Fax: (502) 747-5048  
Bagdad, KY 40003

Special Problems: Number Of Tap-ons:

| ITEM NO. | SIZE    | ITEM                     | AMOUNT | UNIT | UNIT PRICE | TOTAL PRICE |
|----------|---------|--------------------------|--------|------|------------|-------------|
| 1        | 6-inch  | PVC Pipe                 | 6,500  | L.F. | \$7.50     | \$48,750.00 |
| 2        | 4-inch  | PVC Pipe                 | 3,500  | L.F. | \$5.50     | \$19,250.00 |
| 3        | 6-inch  | Gate Valve and Box       | 1      | EACH | \$700.00   | \$700.00    |
| 4        | 4-inch  | Gate Valve and Box       | 3      | EACH | \$500.00   | \$1,500.00  |
| 5        | 4-inch  | Driveway Bore            | 24     | L.F. | \$50.00    | \$1,200.00  |
| 6        | 12-inch | Steel Casing Pipe, Bored | 30     | L.F. | \$100.00   | \$3,000.00  |
| 7        | 3-inch  | Blowoff Valve and Box    | 1      | EACH | \$700.00   | \$700.00    |
| 8        | 2-inch  | Blowoff Valve and Box    | 1      | EACH | \$600.00   | \$600.00    |
| 9        |         | Meter Connection         | 7      | EACH | \$350.00   | \$2,450.00  |
| 10       |         | Service Line: Opencut    | 171    | L.F. | \$3.50     | \$598.50    |
| 11       |         | Service Line: Bored      | 100    | L.F. | \$15.00    | \$1,500.00  |
| 12       |         | Crushed Stone            | 67     | TONS | \$15.00    | \$1,005.00  |
| 13       |         | Class C Concrete         | 2      | C.Y. | \$200.00   | \$400.00    |
| 14       |         | Site Videotaping         | 1      | EACH | \$300.00   | \$300.00    |

**TOTAL CONSTRUCTION: \$81,953.50**

DIVISION OF WATER PROCESSING FEE: \$150.00

ENGINEERING: \$7,850.00

INSPECTION:

LEGAL \$100 PER EASEMENT +2%: \$2,067.94

**TOTAL NON-CONSTRUCTION: \$10,067.94**

**TOTAL PROJECT: \$92,021.44**



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**  
730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KENTUCKY 40602  
(502) 564-3940

May 20, 1998

Darrell Dees, Manager  
North Shelby Water Company  
P. O. Box 97  
Bagdad, Kentucky 40003

Dear Mr. Dees:

I have received your updated response to the deficiencies noted in the Commission's report on North Shelby Water Company's line enlargement charge.

I have filed the 1997 line upsize activity with North Shelby's 1997 annual report. This information must be filed each year as long as the line enlargement charge is in effect.

Regarding the 1998 upsize charge, I have recalculated it based upon the individual costs of installing a 6-inch line contained in the information you filed. Enclosed are the workpapers used to calculate a charge of \$9.58 per foot. For 1998, North Shelby should charge no more than \$4.79 (1/2 of \$9.58) per foot for line enlargements.

North Shelby is advised to use this method of calculating the line charge in the future. Items such as crushed stone, concrete, and site videotaping were not prorated in our calculation due to immateriality. However, the utility shall prorate these and similar items if they become material.

North Shelby has 10 days from receipt of this letter to comment. If you have any questions, please call me at (502) 564-3940.

Very truly yours,

A handwritten signature in cursive script that reads "Chris Whelan".

M. Christina Whelan, CPA  
Audit Reviewer  
Division of Financial Analysis

| Project                   | Project # | Total Project Bid | Cost Attributable To 6" Pipe Installation | Length Of 6" Pipe | Cost Per Foot Of 6" Pipe |
|---------------------------|-----------|-------------------|---|-------------------|--------------------------|
| Aikenshire Estates        | 97-02     | \$26,668.25       | \$9,022.88                                | 880               | \$10.25                  |
| Catwalk Rd Extension      | 95-07     | \$92,021.44       | \$61,451.66                               | 6500              | \$9.45                   |
| North Country Subdivision | 97-06     | \$65,293.00       | \$17,033.07                               | 500               | \$34.07                  |
| Persimmon Ridge           | 97-08     | \$35,318.75       | \$13,905.43                               | 1,650             | \$8.43                   |
| Clear Creek Extension     | 97-10     | \$16,747.72       | \$16,747.72                               | 2,600             | \$6.44                   |
| Emma Wade Road            | 97-19     | \$9,171.00        | \$9,171.00                                | 1,150             | \$7.97                   |
| Totals                    |           |                   |   | 13,280            | \$9.58                   |

# BID ESTIMATE

*Estimated from BID received from Minority Contracting, Inc.*

**Location:** Aikenshire Estates

**Project No:** 97-02

**Client Name:** Bob Brown

**Date Prepared:** May 15, 1998

**Client Address:**

**Client Phone:**

**Client Fax:**

**Water Utility:** North Shelby Water Company

**Utility Phone:** (502) 747-8942

**Utility Address:** PO Box 97

**Utility Fax:** (502) 747-5048

Bagdad, KY 40003

**Special Problems:**

**Number Of Tap-ons:**

| ITEM NO. | SIZE   | ITEM                   | AMOUNT | UNIT | UNIT PRICE | TOTAL PRICE | COST OF 6" |
|----------|--------|------------------------|--------|------|------------|-------------|------------|
| 1        | 8-inch | PVC Pipe               | 1347   | L.F. | \$9.75     | \$13,133.25 |            |
| 2        | 6-inch | PVC Pipe               | 880    | L.F. | \$7.00     | \$6,160.00  | 6,160.00   |
| 3        | 8-inch | Gate Valve and Box     | 0      | EACH |            | \$0.00      |            |
| 4        |        | Fire Hydrant and Valve | 3      | EACH | \$1,500.00 | \$4,500.00  | 1,500.00   |
| 5        | 2-inch | PVC Sleeve             | 0      | L.F. |            | \$0.00      |            |
| 6        |        | Crushed Stone          | 0      | TONS |            | \$0.00      |            |
| 7        |        | Class C Concrete       | 2      | C.Y. | \$100.00   | \$200.00    | 200.00     |
| 8        |        | Site Videotaping       | 1      | EACH | \$25.00    | \$25.00     | 25.00      |
|          |        |                        |        |      |            | \$0.00      |            |
|          |        |                        |        |      |            | \$0.00      |            |
|          |        |                        |        |      |            | \$0.00      |            |
|          |        |                        |        |      |            | \$0.00      |            |
|          |        |                        |        |      |            | \$0.00      |            |
|          |        |                        |        |      |            | \$0.00      |            |
|          |        |                        |        |      |            | \$0.00      |            |

**TOTAL CONSTRUCTION:** **\$24,018.25**

**DIVISION OF WATER PROCESSING FEE:** \$150.00 150.00

**ENGINEERING:** \$2,100.00 829.82

**INSPECTION:**

**LEGAL \$100 PER EASEMENT +2%:** \$400.00 158.00

**TOTAL NON-CONSTRUCTION:** **\$2,650.00**

\* 2,100(880/2227)=829.82  
400(880/2227)=158.06

**TOTAL PROJECT: \$26,668.25**

9,022.82

# BID ESTIMATE

*Estimated from BID received from Reliant Construction Co., Inc.*

**Location:** Catwalk Road **Project No:** 95-07

Client Name: Catwalk Road Residents Date Prepared: May 15, 1998  
 Client Address: Catwalk Road Client Phone:  
Bagdad, KY 40003 Client Fax:

Water Utility: North Shelby Water Company Utility Phone: (502) 747-8942  
 Utility Address: PO Box 97 Utility Fax: (502) 747-5048  
Bagdad, KY 40003

Special Problems: Number Of Tap-ons:

| ITEM NO.                   | SIZE    | ITEM                     | AMOUNT | UNIT | UNIT PRICE | TOTAL PRICE        | COST OF 6" |
|----------------------------|---------|--------------------------|--------|------|------------|--------------------|------------|
| 1                          | 6-inch  | PVC Pipe                 | 6,500  | L.F. | \$7.50     | \$48,750.00        | 48,750.00  |
| 2                          | 4-inch  | PVC Pipe                 | 3,500  | L.F. | \$5.50     | \$19,250.00        |            |
| 3                          | 6-inch  | Gate Valve and Box       | 1      | EACH | \$700.00   | \$700.00           | 700.00     |
| 4                          | 4-inch  | Gate Valve and Box       | 3      | EACH | \$500.00   | \$1,500.00         |            |
| 5                          | 4-inch  | Driveway Bore            | 24     | L.F. | \$50.00    | \$1,200.00         |            |
| 6                          | 12-inch | Steel Casing Pipe, Bored | 30     | L.F. | \$100.00   | \$3,000.00         | 3,000.00   |
| 7                          | 3-inch  | Blowoff Valve and Box    | 1      | EACH | \$700.00   | \$700.00           | 700.00     |
| 8                          | 2-inch  | Blowoff Valve and Box    | 1      | EACH | \$600.00   | \$600.00           |            |
| 9                          |         | Meter Connection         | 7      | EACH | \$350.00   | \$2,450.00         |            |
| 10                         |         | Service Line: Open-cut   | 171    | L.F. | \$3.50     | \$598.50           |            |
| 11                         |         | Service Line: Bored      | 100    | L.F. | \$15.00    | \$1,500.00         |            |
| 12                         |         | Crushed Stone            | 67     | TONS | \$15.00    | \$1,005.00         | 1,005.00   |
| 13                         |         | Class C Concrete         | 2      | C.Y. | \$200.00   | \$400.00           | 400.00     |
| 14                         |         | Site Videotaping         | 1      | EACH | \$300.00   | \$300.00           | 300.00     |
| <b>TOTAL CONSTRUCTION:</b> |         |                          |        |      |            | <b>\$81,953.50</b> |            |

DIVISION OF WATER PROCESSING FEE: \$150.00 150.00  
 ENGINEERING: \$7,850.00 5,102.50  
 INSPECTION:  
 LEGAL \$100 PER EASEMENT +2%: \$2,067.94 1,344.16

**TOTAL NON-CONSTRUCTION: \$10,067.94**

61,451.6

\*  $7,850(6500/10000)=5,102.50$   
 $2,067.94(6500/10000)=1,344.16$

**TOTAL PROJECT: \$92,021.44**

# BID ESTIMATE

*Estimated from the BID received from Advanced Paving & Const. Co. Inc.*

**Location:** North Country Subdivision **Project No:** 97-06

Client Name: Al Headen Date Prepared: May 15, 1998  
 Client Address: 1447 LaGrange Road Client Phone:  
Shelbyville, KY 40065 Client Fax:

Water Utility: North Shelby Water Company Utility Phone: (502) 747-8942  
 Utility Address: PO Box 97 Utility Fax: (502) 747-5048  
Bagdad, KY 40003

Special Problems: Highway Crossing Number Of Tap-ons:

| ITEM NO. | SIZE    | ITEM                     | AMOUNT | UNIT | UNIT PRICE | TOTAL PRICE | COST OF 6" |
|----------|---------|--------------------------|--------|------|------------|-------------|------------|
| 1        | 12-inch | PVC Pipe                 | 1,000  | L.F. | \$23.00    | \$23,000.00 |            |
| 2        | 8-inch  | PVC Pipe                 | 160    | L.F. | \$16.00    | \$2,560.00  |            |
| 3        | 6-inch  | PVC Pipe                 | 500    | L.F. | \$14.00    | \$7,000.00  | 7,000.00   |
| 4        | 12-inch | Gate Valve Box           | 4      | EACH | \$1,000.00 | \$4,000.00  |            |
| 5        | 8-inch  | Gate Valve Box           | 3      | EACH | \$580.00   | \$1,740.00  |            |
| 6        | 6-inch  | Gate Valve Box           | 1      | EACH | \$450.00   | \$450.00    | 450.00     |
| 7        |         | Fire Hydrant Valve       | 3      | EACH | \$1,800.00 | \$5,400.00  | 1,800.00   |
| 8        | 20-inch | Steel Casing Pipe, Bored | 50     | L.F. | \$250.00   | \$12,500.00 | 5,000.00   |
| 9        | 2-inch  | PVC Sleeve               | 170    | L.F. | \$10.00    | \$1,700.00  |            |
| 10       |         | Crushed Stone            | 50     | TONS | \$12.00    | \$600.00    | 600.00     |
| 11       |         | Class C Concrete         | 3      | C.Y. | \$80.00    | \$240.00    | 240.00     |
|          |         |                          |        |      |            | \$0.00      |            |
|          |         |                          |        |      |            | \$0.00      |            |
|          |         |                          |        |      |            | \$0.00      |            |

**TOTAL CONSTRUCTION: \$59,190.00**

DIVISION OF WATER PROCESSING FEE: \$150.00 150.00  
 ENGINEERING: \$5,753.00 1,732.83  
 INSPECTION:  
 LEGAL \$100 PER EASEMENT +2%: \$200.00 60.24

**TOTAL NON-CONSTRUCTION: \$6,103.00**

\* 5,000 based on 12-inch @ \$100/L.F.  
 5,753(500/1660)=1,732.83  
 200(500/1660)=60.24

|                                   |          |
|-----------------------------------|----------|
| <b>TOTAL PROJECT: \$65,293.00</b> | 17,033.0 |
|-----------------------------------|----------|

# BID ESTIMATE

*Estimated from BID received from Persimmon Ridge Development*

**Location:** Persimmon Ridge Subdivision Phase VII    **Project No:** 97-08

**Client Name:** Persimmon Ridge Development    **Date Prepared:** May 15, 1998  
Lawren Just. Vice President

**Client Address:** 253 Persimmon Ridge Drive    **Client Phone:** (502) 241-9890  
Louisville, KY 40245    **Client Fax:**

**Water Utility:** North Shelby Water Company    **Utility Phone:** (502) 747-8942  
**Utility Address:** PO Box 97    **Utility Fax:** (502) 747-5048  
Bagdad, KY 40003

**Special Problems:** None    **Number Of Tap-ons:** N/A

| ITEM NO. | SIZE   | ITEM               | AMOUNT | UNIT | UNIT PRICE | TOTAL PRICE | COST OF<br><u>6"</u> |
|----------|--------|--------------------|--------|------|------------|-------------|----------------------|
| 1        | 8-inch | PVC Pipe           | 1,800  | L.F. | \$ 6.50    | \$11,700.00 |                      |
| 2        | 6-inch | PVC Pipe           | 1,650  | L.F. | \$ 5.00    | \$8,250.00  | 8,250.00             |
| 3        | 8-inch | Gate Valve Box     | 2      | EACH | \$ 450.00  | \$ 900.00   |                      |
| 4        | 6-inch | Gate Valve Box     | 3      | EACH | \$ 350.00  | \$1,050.00  | 1,050.00             |
| 5        |        | Fire Hydrant Valve | 4      | EACH | \$1,500.00 | \$6,000.00  | 1,500.00             |
| 6        | 2-inch | PVC Sleeve         | 385    | L.F. | \$ 3.75    | \$1,443.75  |                      |
| 7        |        | Class C Concrete   | 1      | C.Y. | \$ 75.00   | \$ 75.00    | 75.00                |
| 8        |        | Crushed Stone      | 25     | TONS | \$ 10.00   | \$ 250.00   | 250.00               |

**TOTAL CONSTRUCTION:**    **\$29,668.75**

DIVISION OF WATER PROCESSING FEE:    \$ 150.00    150.00

ENGINEERING:    \$5,500.00    2,630.43

INSPECTION:

LEGAL \$100 PER EASEMENT +2%:

**TOTAL NON-CONSTRUCTION:**    **\$5,650.00**

\*  $5,500(1650/3450)=2,630.43$

**TOTAL PROJECT:    \$35,318.75**

13,905.43

# BID ESTIMATE

*Estimated from BID received from Rick Price's Plumbing & Trenching, Inc.*

Location: Clear Creek Road

Project No: 97-10

Client Name: Don Hamilton

Date Prepared: May 15, 1998

Client Address:

Client Phone:

Client Fax:

Water Utility: North Shelby Water Company

Utility Phone: (502) 747-8942

Utility Address: PO Box 97

Utility Fax: (502) 747-5048

Bagdad, KY 40003

Special Problems:

Number Of Tap-ons:

| ITEM NO. | SIZE   | ITEM                  | AMOUNT | UNIT | UNIT PRICE | TOTAL PRICE |
|----------|--------|-----------------------|--------|------|------------|-------------|
| 1        | 6-inch | PVC Pipe              | 2,600  | L.F. | \$4.90     | \$12,740.00 |
| 2        | 3-inch | Gate Valve and Box    | 3      | EACH | \$394.24   | \$1,182.72  |
| 3        | 3-inch | Blowoff Valve and Box | 1      | EACH | \$400.00   | \$400.00    |
| 4        |        | Crushed Stone         | 35     | TONS | \$10.00    | \$350.00    |
| 5        |        | Class C Concrete      | 1      | C.Y. | \$100.00   | \$100.00    |
| 6        |        | Site Videotaping      | 1      | EACH | \$25.00    | \$25.00     |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |
|          |        |                       |        |      |            | \$0.00      |

TOTAL CONSTRUCTION: \$14,797.72

DIVISION OF WATER PROCESSING FEE: \$150.00

ENGINEERING: \$1,700.00

INSPECTION:

LEGAL \$100 PER EASEMENT +2%: \$100.00

TOTAL NON-CONSTRUCTION: \$1,950.00

**TOTAL PROJECT: \$16,747.72**



## 1999

Priority List: New 1999 Priority List attached

1998 Financial Information:

No LEC funds spent in 1998

Itemization of LEC amounts collected in 1998 and balance in LEC account at end of 1998 attached

Itemization of LEC calculations producing new 1999 LEC rate attached



COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**  
730 SCHENKEL LANE  
POST OFFICE BOX 615  
FRANKFORT, KENTUCKY 40602  
(502) 564-3940

April 29, 1999

Duncan LeCompt, President  
North Shelby Water Company  
P. O. Box 97  
Bagdad, Kentucky 40003

Dear Mr. LeCompt:

In Case No. 95-161, the Commission approved a line enlargement charge for North Shelby Water Company. North Shelby was ordered to file in its annual report each year a prioritized list of proposed enlargement projects, together with the estimated cost of each project. The filing was also to include a list of projects completed during the year, the cost of each project, an itemization of the amounts of line enlargement charges collected from developers during the year, the individual expenditures, and the balance of the funds remaining in the line enlargement escrow account.

A review of North Shelby's 1998 annual report filed April 1, 1999 showed that the utility did not file the required information. North Shelby has 20 days from the date of this letter to file this information. If you have any questions, please call me at (502) 564-3940, ext. 233.

Very truly yours,

A handwritten signature in cursive script that reads "Chris Whelan".

M. Christina Whelan, CPA  
Audit Reviewer  
Division of Financial Analysis

MATHIS, RIGGS & PRATHER, P.S.C.

ATTORNEYS AT LAW

500 MAIN STREET · P.O. BOX 1059

SHELBYVILLE, KENTUCKY 40066-1059

C. LEWIS MATHIS, JR.  
T. SHERMAN RIGGS  
DONALD T. PRATHER

HAROLD Y. SAUNDERS  
OF COUNSEL

TELEPHONE: (502) 633-5220  
FAX: (502) 633-0667

May 19, 1999

M. Christina Whelan, C.P.A.  
Public Service Commission  
730 Schenkel Lane  
P.O. Box 615  
Frankfort, KY 40602

Re: North Shelby Water Company  
Case Number 95-161  
Line Enlargement Charge

Dear Ms. Whelan:

This office represents North Shelby Water Company. North Shelby apologizes for its oversight in not filing the required information with its last annual report. The employee who had responsibility for filing this information is no longer employed by the Company, and the remaining employees were not aware that this needed to be filed. North Shelby is taking steps to prevent this from reoccurring.

There will be no change in the amount of the line enlargement charge for 1999. There were not any qualifying construction projects during 1998 to be used to recalculate the fee and therefore we are leaving it unchanged.

The 1999 priority list is enclosed. You may notice that Item #4, on the 1998 list, Lebanon Ridge Connection, has been deleted from the 1999 list. Franklin County Fiscal Court obtained a significant CDBG Grant and Loan making feasible a significant distribution main extension project in Franklin County, and the Lebanon Ridge Connection was completed as part of that project. No line enlargement charge funds were expended. The Lebanon Ridge Connection was but a small part of a much larger project, and no separate cost records were kept on that one line.

An itemization of the amounts of line enlargement charges collected from developers during 1998 is also enclosed, including the balance of funds remaining in the line enlargement escrow

M. Christina Whelan, C.P.A.  
May 19, 1999 Letter  
Page 2 of 2

account. North Shelby has not spent any line enlargement charge money since the charge was established, because we have not raised enough money to do the first priority item.

Yours truly,

MATHIS, RIGGS & PRATHER, P.S.C.

By:   
\_\_\_\_\_  
Donald T. Prather

DTP/kr  
Enclosures  
cc: Russ Rose  
Sandy Broughman  
Duncan LeCompte, President  
21et\mwhelan.dtp

LINE UPSIZE CHARGE  
1999 PRIORITY LIST

The distribution system of the North Shelby Company has more than 250 miles of pipelines. The portion of the system with sub-standard pipelines amounts to more than 86 miles. Approximately 416,000 linear feet of 3-inch and more than 42,000 linear feet of 2-inch pipe makes up the current system. In addition to these small pipelines several larger pipes need upgrading as well.

No construction took place since the original priority list developed in 1995 except the loop closing on Bob Rogers Road and the Lebanon Ridge Connection. This was done with other company funds and did not reduce the money being accumulated.

The priority list for upgrades is as follows:

1. Harrington Mill Upgrade

The existing 3-inch pipeline was part of the original construction of the Water Company. This line is proposed to be part of the major transmission main bringing water from Louisville to the center of the system. The proximity to Shelbyville has led to the construction of numerous single family homes and one subdivision along the main. The line consists of 13,000 linear feet of pipeline. The upgrading would consist of 11,000 linear feet of 12-inch and 2,000 linear feet of 6-inch pipelines. The total expected cost is approximately \$300,000.

2. Bob Rogers Road Upgrade

The existing 2-inch pipeline along Bob Rogers Road was 2,000 linear feet of original construction with 8,000 linear feet added in subsequent extensions. The continued growth of this area with rural residences has made the 2-inch lines obsolete. The upgrade would require replacement of 6,000 linear feet of lines. The total expected cost is approximately \$50,000.

3. Long Run Road Upgrade

Some years ago, a pumping station and connector to Louisville Water System gave North Shelby another source of supply. The continued growth along Long Run, with subdivisions and the addition of the Women's Penitentiary as a customer has called for increased amounts of water. The 6-inch pipeline must be upgraded to at least an 8-inch line. The expected cost of the 11,000 linear feet to 8-inch is approximately \$110,000.





## 2000

Priority List did not change from 1999

### 1999 Financial Information:

No LEC funds spent in 1999

Itemization of LEC amounts collected in 1999 and balance in LEC account at end of 1999 attached

Itemization of LEC calculations producing new 2000 LEC rate, if rate was changed from 1999, cannot be located at this time

LINE UPSIZE CHARGE  
~~1999~~-PRIORITY LIST  
2000

The distribution system of the North Shelby Company has more than 250 miles of pipelines. The portion of the system with sub-standard pipelines amounts to more than 86 miles. Approximately 416,000 linear feet of 3-inch and more than 42,000 linear feet of 2-inch pipe makes up the current system. In addition to these small pipelines several larger pipes need upgrading as well.

No construction took place since the original priority list developed in 1995 except the loop closing on Bob Rogers Road and the Lebanon Ridge Connection. This was done with other company funds and did not reduce the money being accumulated.

The priority list for upgrades is as follows:

1. Harrington Mill Upgrade

The existing 3-inch pipeline was part of the original construction of the Water Company. This line is proposed to be part of the major transmission main bringing water from Louisville to the center of the system. The proximity to Shelbyville has led to the construction of numerous single family homes and one subdivision along the main. The line consists of 13,000 linear feet of pipeline. The upgrading would consist of 11,000 linear feet of 12-inch and 2,000 linear feet of 6-inch pipelines. The total expected cost is approximately \$300,000.

2. Bob Rogers Road Upgrade

The existing 2-inch pipeline along Bob Rogers Road was 2,000 linear feet of original construction with 8,000 linear feet added in subsequent extensions. The continued growth of this area with rural residences has made the 2-inch lines obsolete. The upgrade would require replacement of 6,000 linear feet of lines. The total expected cost is approximately \$50,000.

3. Long Run Road Upgrade

Some years ago, a pumping station and connector to Louisville Water System gave North Shelby another source of supply. The continued growth along Long Run, with subdivisions and the addition of the Women's Penitentiary as a customer has called for increased amounts of water. The 6-inch pipeline must be upgraded to at least an 8-inch line. The expected cost of the 11,000 linear feet to 8-inch is approximately \$110,000.



**Paul E. Patton, Governor**  
**Ronald B. McCloud, Secretary**  
**Public Protection and**  
**Regulation Cabinet**  
  
**Martin J. Huelsmann**  
**Executive Director**  
**Public Service Commission**

**COMMONWEALTH OF KENTUCKY**  
**PUBLIC SERVICE COMMISSION**  
211 SOWER BOULEVARD  
POST OFFICE BOX 615  
FRANKFORT, KENTUCKY 40602-0615  
[www.psc.state.ky.us](http://www.psc.state.ky.us)  
(502) 564-3940  
Fax (502) 564-3460

**B. J. Helton**  
**Chairman**  
  
**Edward J. Holmes**  
**Vice Chairman**  
  
**Gary W. Gillis**  
**Commissioner**

May 17, 2000

Duncan LeCompt, President  
North Shelby Water Company  
P. O. Box 97  
Bagdad, Kentucky 40003

Dear Mr. LeCompt:

In Case No. 95-161, the Commission approved a line enlargement charge for North Shelby Water Company. North Shelby was ordered to file in its annual report each year a prioritized list of proposed enlargement projects, together with the estimated cost of each project. The filing was also to include a list of projects completed during the year, the cost of each project, an itemization of the amounts of line enlargement charges collected from developers during the year, the individual expenditures, and the balance of the funds remaining in the line enlargement escrow account.

A review of North Shelby's 1999 annual report filed April 5, 2000 showed that the utility did not file the required information. North Shelby has 20 days from the date of this letter to file this information. If you have any questions, please call me at (502) 564-3940.

Very truly yours,

A handwritten signature in cursive script that reads "Chris Whelan".

M. Christina Whelan, CPA  
Audit Reviewer  
Division of Financial Analysis



North Shelby Water Company  
PO BOX 97  
Bagdad, Kentucky 40003

May 30, 2000

Reference: Case No. 95-161

Chris Whelan  
Public Service Commission  
211 Sower Boulevard  
Post Office Box 615  
Frankfort, Kentucky 40602-0615

Dear Chris Whelan,

North Shelby Water Company would like to apologize for overlooking to file the required information in our annual report. Enclosed is the information you requested.

1. The list of prioritized projects has not changed from last year.
2. There were no projects completed in 1999. The money in the line upsize account is not sufficient to complete the first project.
3. Attached is a list of line upsize charges collected in 1999
4. \$201,637.48 is the balance in the line upsize account as of 12-31-1999(see copy of attached bank statement)

Sorry for the inconvenience please call me if I can be of any help to you.

Thanks,



Darrell Dees  
Manager  
North Shelby Water Company  
RDR





NORTH SHELBY WATER COMPANY  
 LINE UPSIDE SURCHARGE  
 P O BOX 97  
 BAGDAD KY 40003

29

12-31-99  
 PAGE 1  
 5115159

511 515 9 MONEY MARKET SAVINGS

SCP-04

|                   |          |            |
|-------------------|----------|------------|
| PREVIOUS BALANCE  | 11-30-99 | 198,783.18 |
| +DEPOSITS/CREDITS | 1        | 2,337.09   |
| -CHECKS/DEBITS    | 0        | .00        |
| +INTEREST PAID    |          | 517.21     |
| CURRENT BALANCE   |          | 201,637.48 |

\* - - - - - INTEREST SUMMARY - - - - - \*

|   |          |
|---|----------|
| INTEREST EARNED FROM 11-30-99 TO 12-31-99 |          |
| DAYS IN PERIOD                            | 31       |
| INTEREST EARNED                           | 517.21   |
| ANNUAL PERCENTAGE YIELD EARNED            | 3.10     |
| INTEREST PAID THIS YEAR                   | 4,775.67 |

\* - - - - - INTEREST RATE SUMMARY - - - - - \*

| DATE  | RATE | DATE | RATE | DATE | RATE |
|-------|------|------|------|------|------|
| 11/30 | 3.06 |      |      |      |      |

\* - - - - - \*  
 CHECK CHECK DEPOSIT DATE BALANCE

|  |  |         |       |           |
|--|--|---------|-------|-----------|
|  |  | 2337.09 | 12-28 | 201120.27 |
|  |  | 517.21  | 12-31 | 201637.48 |

1 ENCLOSURE(S)

## 2001

Priority List did not change from 1999

### Financial Information:

No LEC funds spent in 2000

Itemization of LEC amounts collected in 2000 and balance in LEC account at end of 2000 attached. Note previous PSC filing disclosed that \$200,000.00 was transferred to higher interest Certificate of Deposit.

Itemization of LEC calculations producing new 2001 LEC rate attached

LINE UPSIZE CHARGE  
~~1999~~ PRIORITY LIST  
2001

The distribution system of the North Shelby Company has more than 250 miles of pipelines. The portion of the system with sub-standard pipelines amounts to more than 86 miles. Approximately 416,000 linear feet of 3-inch and more than 42,000 linear feet of 2-inch pipe makes up the current system. In addition to these small pipelines several larger pipes need upgrading as well.

No construction took place since the original priority list developed in 1995 except the loop closing on Bob Rogers Road and the Lebanon Ridge Connection. This was done with other company funds and did not reduce the money being accumulated.

The priority list for upgrades is as follows:

1. Harrington Mill Upgrade

The existing 3-inch pipeline was part of the original construction of the Water Company. This line is proposed to be part of the major transmission main bringing water from Louisville to the center of the system. The proximity to Shelbyville has led to the construction of numerous single family homes and one subdivision along the main. The line consists of 13,000 linear feet of pipeline. The upgrading would consist of 11,000 linear feet of 12-inch and 2,000 linear feet of 6-inch pipelines. The total expected cost is approximately \$300,000.

2. Bob Rogers Road Upgrade

The existing 2-inch pipeline along Bob Rogers Road was 2,000 linear feet of original construction with 8,000 linear feet added in subsequent extensions. The continued growth of this area with rural residences has made the 2-inch lines obsolete. The upgrade would require replacement of 6,000 linear feet of lines. The total expected cost is approximately \$50,000.

3. Long Run Road Upgrade

Some years ago, a pumping station and connector to Louisville Water System gave North Shelby another source of supply. The continued growth along Long Run, with subdivisions and the addition of the Women's Penitentiary as a customer has called for increased amounts of water. The 6-inch pipeline must be upgraded to at least an 8-inch line. The expected cost of the 11,000 linear feet to 8-inch is approximately \$110,000.



**Paul E. Patton, Governor**

**Ronald B. McCloud, Secretary  
Public Protection and  
Regulation Cabinet**

**Thomas M. Dorman  
Executive Director  
Public Service Commission**

COMMONWEALTH OF KENTUCKY  
**PUBLIC SERVICE COMMISSION**  
211 SOWER BOULEVARD  
POST OFFICE BOX 615  
FRANKFORT, KENTUCKY 40602-0615  
www.psc.state.ky.us  
(502) 564-3940  
Fax (502) 564-3460

**Martin J. Huelsmann  
Chairman**

**Edward J. Holmes  
Vice Chairman**

**Gary W. Gillis  
Commissioner**

April 30, 2001

Mr. Russ Rose, Manager  
North Shelby Water Company  
P. O. Box 97  
Bagdad, Kentucky 40003

Dear Mr. Rose:

In Case No. 95-161, the Commission approved a line enlargement charge for North Shelby Water Company. North Shelby was ordered to file in its annual report each year a prioritized list of proposed enlargement projects, together with the estimated cost of each project. The filing was also to include a list of projects completed during the year, the cost of each project, an itemization of the amounts of line enlargement charges collected from developers during the year, the individual expenditures, and the balance of the funds remaining in the line enlargement escrow account.

A review of North Shelby's 2000 annual report showed that the utility did not file the required information. Chris Whelan of my staff telephoned you three weeks ago requesting the required information. To date, nothing has been received. North Shelby is reminded that the Order in Case No. 95-161 approved the upsize charge subject to the conditions imposed by the Order, one of which was the filing of the report. This is the third consecutive year that staff has had to contact North Shelby regarding this report. It is incumbent upon the utility and not Commission staff to ensure that this report is filed.

Please file the requested information within 10 days of the date of this letter. If you have any questions, please feel free to call me at (502) 564-3940.

Very truly yours,

A handwritten signature in cursive script that reads "Aaron D. Greenwell".

Aaron D. Greenwell, Director  
Division of Financial Analysis



North Shelby Water Company  
PO BOX 97  
Bagdad, Kentucky 40003

May 1, 2001

Reference: Case No. 95-161

RECEIVED  
MAY - 7 2001  
PUBLIC SERVICE  
COMMISSION

Chris Whelan  
Public Service Commission  
211 Sower Boulevard  
Post Office Box 615  
Frankfort, Kentucky 40602-0615

Dear Chris Whelan,

North Shelby Water Company would like to apologize for overlooking to file the required information in our annual report. Enclosed is the information you requested.

1. The list of prioritized projects has not changed from last year.
2. There were no projects completed in 2000. The money in the line upsize account is not sufficient to complete the first project.
3. Attached is a list of line upsize charges collected in 2000
4. \$280211.44 is the balance in the line upsize account as of 12-31-2000(see copy of attached bank statement) note \$200,000.00 was transferred to a CD on 12-7-00.
5. Average cost of 6" water main has increased from \$10.62 to \$12.02 (see attached Sheet).

Sorry for the inconvenience please call me if I can be of any help to you.

Thanks,



Darrell Dees  
Manager  
North Shelby Water Company  
RDR

YEAR 2000 Line Enlargement Charge

211 @ 531

| <u>Date</u> | <u>Property Location</u> | <u>Property Name</u>         | <u>Footage</u> | <u>Amount Received</u> |
|-------------|--------------------------|------------------------------|----------------|------------------------|
| 02/21/00    | Adams Pike               | Price FM                     | 250            | \$ 1,327.50            |
| 04/17/00    | Christianburg Road       | Randy Angel                  | 2823.97        | \$ 14,995.28           |
| 4/24/2000   | Hwy 55                   | Sauderlin                    | 2179.27        | \$ 11,571.92           |
| 4/24/2000   | Hwy 395 / Vigo           | Quire                        | 2004.87        | \$ 10,645.86           |
| 6/2/2000    | Cedarmore Road           | Jones                        | 203.09         | \$ 1,078.41            |
| 6/2/2000    | Jacksonville Road        | Thurman                      | 134.91         | \$ 716.37              |
| 6/2/2000    | Geoghegan                | Eddie Davis                  | 863.68         | \$ 4,586.14            |
| 6/2/2000    | Orphan Lane              | Kessler FM / James Frazier   | 774.34         | \$ 4,111.74            |
| 6/20/2000   | Webb Road                | Mullins                      | 303.27         | \$ 1,610.36            |
| 8/22/2000   | Hanna                    | Cunningham                   | 124.15         | \$ 659.24              |
| 9/22/2000   | Eminence Pike            | Rothenburger                 | 250            | \$ 1,327.50            |
| 9/22/2000   | Mink Run                 | Paul Watts / Todd Stephenson | 357.57         | \$ 1,898.70            |
| 10/18/2000  | Benson                   | Eli Russell                  | 433.47         | \$ 2,301.73            |
| 10/18/2000  | Eminence Pike            | Wakefield                    | 966.19         | \$ 5,130.47            |
| 11/9/2000   | Todds Point Road         | Burwell                      | 1730.88        | \$ 9,190.97            |
| 12/29/2000  | Hwy 421                  | McNabb                       | 1028.44        | \$ 5,461.02            |
|             |                          |                              | Total          | \$ 76,613.21           |



# SHELBY COUNTY TRUST BANK

P.O. Box 249 Shelbyville, Kentucky 40066-0249

Phone: 633-1000

NORTH SHELBY WATER COMPANY  
LINE UPSIDE SURCHARGE  
P O BOX 97  
BAGDAD KY 40003

29

12-31-00  
PAGE 1  
5115159

SHELBY COUNTY TRUST BANK WISHES EVERYONE THE VERY BEST CHRISTMAS AND THE HAPPIEST OF HOLIDAY SEASONS

511 515 9 MONEY MARKET SAVINGS

SCP-04

|                   |          |            |
|-------------------|----------|------------|
| PREVIOUS BALANCE  | 11-30-00 | 279,887.34 |
| +DEPOSITS/CREDITS | 0        | .00        |
| -CHECKS/DEBITS    | 1        | 200,000.00 |
| +INTEREST PAID    |          | 324.10     |
| CURRENT BALANCE   |          | 80,211.44  |

*to certificate of deposit*

\* - - - - INTEREST SUMMARY - - - - \*

|   |          |
|---|----------|
| INTEREST EARNED FROM 11-30-00 TO 12-31-00 |          |
| DAYS IN PERIOD                            | 31       |
| INTEREST EARNED                           | 324.10   |
| ANNUAL PERCENTAGE YIELD EARNED            | 3.10     |
| INTEREST PAID THIS YEAR                   | 7,421.77 |

\* - - - - INTEREST RATE SUMMARY - - - - \*

| DATE  | RATE | DATE | RATE | DATE | RATE |
|-------|------|------|------|------|------|
| 11/30 | 3.06 |      |      |      |      |

\* - - - - DAILY BALANCE SUMMARY - - - - \*

| DATE  | BALANCE   | DATE  | BALANCE   | DATE  | BALANCE |
|-------|-----------|-------|-----------|-------|---------|
| 12-07 | 79,887.34 | 12-31 | 80,211.44 | 12-27 |         |

\* - - - - CREDITS AND OTHER DEBITS - - - - \*

| DATE     | TRACER  | DESCRIPTION      | AMOUNT |
|----------|---------|------------------|--------|
| 12-31-00 | 00-0000 | INTEREST PAYMENT | 324.10 |

\* - - - - CHECKS PAID - - - - \*

| CK NBR | DATE  | AMOUNT    | CK NBR | DATE | AMOUNT |
|--------|-------|-----------|--------|------|--------|
|        | 12-07 | 200000.00 |        |      |        |

1 ENCLOSURE(S)

SHELBY COUNTY TRUST BANK  
422 MAIN STREET P O BOX 249  
SHELBYVILLE KY

40066

2-22-2001

CERTIFICATE OF DEPOSIT

INTEREST DISBURSEMENT NOTICE

| C.D. NUMBER | DATE OF C.D. | ISSUE VALUE | INT. PERIOD | INT. RATE | RENEWAL DATE |
|-------------|--------------|-------------|-------------|-----------|--------------|
| 102582      | 12-07-00     | 200,000.00  | 3 MONTHS    | 6.750     |              |

\*----- DETAIL INFORMATION -----\*

|                   |            |
|-------------------|------------|
| BALANCE-          |            |
| -BEFORE INTEREST  | 200,000.00 |
| INTEREST PAID     | 3,326.24   |
| INTEREST WITHHELD | .00        |
| BALANCE-          |            |
| -AFTER INTEREST   | 203,326.24 |

NORTH SHELBY WATER COMPANY  
LINE UP-SIZING  
P O BOX 97  
BAGDAD KY 40003

|               |          |
|---------------|----------|
| PAYMENT DATE  | 3-07-01  |
| MATURITY DATE | 12-07-01 |

# NORTH SHELBY WATER COMPANY

PROJECT 01-06

3/19/01

## LINE UPSIZE REVISIONS

| PROJECT         | TOTAL COST  | TOTAL LENGTH 8" | COST/LF              | *LESS 8" DIFFERENCE | ADJUSTED COST PER FOOT OF 6" PIPE |
|-----------------|-------------|-----------------|----------------------|---------------------|-----------------------------------|
| Watch Hill      | \$70,972.50 | 3630            | \$19.55              | \$1.16              | \$18.39                           |
| Persimmon Ridge | \$27,875.00 | 4096            | \$6.81               | \$1.16              | \$5.65                            |
|                 |             |                 |                      |                     |                                   |
|                 |             |                 | 2000 Cost/LF (AVG) = |                     | \$12.02                           |

\*Both of the above jobs are 8-inch pipe. Don Hansel fo Waterworks Supply quoted the difference between 6- and 8-inch pipe as \$1.09 +6% or \$1.16 per foot.

## 2002

Priority List did not change from 1999

### Financial Information:

No LEC funds spent in 2001; however, \$601.01 was collected and then refunded because zoning denied the plat on which it was based

Itemization of LEC amounts collected in 2001 and balance in LEC account at end of 2001 attached. Note there was an additional \$200,000.00 plus all accrued interest in the Certificate of Deposit – value at end of 2001 unavailable, but no funds or accrued interest were ever withdrawn from the Certificate of Deposit.

Itemization of LEC calculations producing new 2002 LEC rate attached

LINE UPSIZE CHARGE  
~~1999~~ PRIORITY LIST  
2002

The distribution system of the North Shelby Company has more than 250 miles of pipelines. The portion of the system with sub-standard pipelines amounts to more than 86 miles. Approximately 416,000 linear feet of 3-inch and more than 42,000 linear feet of 2-inch pipe makes up the current system. In addition to these small pipelines several larger pipes need upgrading as well.

No construction took place since the original priority list developed in 1995 except the loop closing on Bob Rogers Road and the Lebanon Ridge Connection. This was done with other company funds and did not reduce the money being accumulated.

The priority list for upgrades is as follows:

1. Harrington Mill Upgrade

The existing 3-inch pipeline was part of the original construction of the Water Company. This line is proposed to be part of the major transmission main bringing water from Louisville to the center of the system. The proximity to Shelbyville has led to the construction of numerous single family homes and one subdivision along the main. The line consists of 13,000 linear feet of pipeline. The upgrading would consist of 11,000 linear feet of 12-inch and 2,000 linear feet of 6-inch pipelines. The total expected cost is approximately \$300,000.

2. Bob Rogers Road Upgrade

The existing 2-inch pipeline along Bob Rogers Road was 2,000 linear feet of original construction with 8,000 linear feet added in subsequent extensions. The continued growth of this area with rural residences has made the 2-inch lines obsolete. The upgrade would require replacement of 6,000 linear feet of lines. The total expected cost is approximately \$50,000.

3. Long Run Road Upgrade

Some years ago, a pumping station and connector to Louisville Water System gave North Shelby another source of supply. The continued growth along Long Run, with subdivisions and the addition of the Women's Penitentiary as a customer has called for increased amounts of water. The 6-inch pipeline must be upgraded to at least an 8-inch line. The expected cost of the 11,000 linear feet to 8-inch is approximately \$110,000.

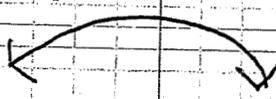
# NorthStella 2001 UPSIRE RECEIPTS

© WILSON JONES

67502 CourierWrite ®

Prepared By: \_\_\_\_\_  
 Approved By: \_\_\_\_\_  
 Initials: \_\_\_\_\_  
 Date: \_\_\_\_\_

| Date                | Description                                 | Amount               |
|---------------------|---|----------------------|
| <del>6/21/00</del>  | <del>Jones Fraxen (Kester Fm)</del>         | <del>4771.74</del>   |
| <del>6/22/00</del>  | <del>Bonnie Mullins</del>                   | <del>1610.36</del>   |
| <del>8/22/00</del>  | <del>Charles Longman (Hans Aht)</del>       | <del>659.27</del>    |
| <del>9/22/00</del>  | <del>Rothberg (My 55)</del>                 | <del>1327.50</del>   |
| <del>9/22/00</del>  | <del>Toll Stigebson</del>                   | <del>1878.70</del>   |
| <del>10/18/00</del> | <del>Bob Boms (El. Russell Besser Ak)</del> | <del>2301.73</del>   |
| <del>10/18/00</del> | <del>Waterford (Emmanc Pike)</del>          | <del>5130.47</del>   |
| <del>11/4/00</del>  | <del>Burnell (Tedd Apt)</del>               | <del>9190.97</del>   |
| <del>12/17/00</del> | <del>CK to P500 for CA</del>                | <del>200700.00</del> |
| 1/27/01             | McNabb (421)                                | 5461.02              |
| 1/24/01             | Jenys (53)                                  | 6849.90              |
| 1/24/01             | Saunders                                    | 4657.40              |
| <del>3/17/01</del>  | <del>Hagedorn</del>                         | <del>2945.92</del>   |
| 4/18/01             | Jenys (53) 1290 Ft @ 5.31                   | 6849.90              |
| 1/23/01             | Salts                                       |                      |
| 3/19/01             | Hader 554.79 @ 5.31                         | 2945.93              |
| 3/29/01             | Brooks 1214.7 @ 5.31                        | 6447.24              |
| 3/29/01             | Stiver (53) 4040.31 @ 5.31                  | 21454.47             |
| 4/13/01             | Schweitzer Hy 362 737.53 @ 6.01             | 4432.50              |
| 5/22/01             | Dale (Benson) 250.83                        | 1507.50              |
| 8/6/01              | Zamins 500.34                               | 3007.04              |
| 9/10/01             | Okeeta (Cooper) 100.01                      | 601.06               |
| 9/18/01             | Borrett 765.3                               | 4598.43              |
| 11/01/01            | Sheck 584                                   | 3509.87              |
| 11/01/01            | McLamb 1396.64                              | 8393.81              |
| 11/01/01            | Heston 783.95                               | 4350.94              |
| 11/30/01            | UP/ACR 175.00                               | 1051.75              |
| 12/5/01             |   | - 601.06             |
| 12/14/01            | Clare Refund                                | 3382.13              |
| 12/20/01            | MS Fans (CS Rd) 1969.75                     | 1838.22              |
| 1/7/02              | NSW Transfer 25,095.00 to Cost              | 25,095.00            |
| 3/19/02             | Kenry 619.85 @ 6.01                         | 3725.30              |
| 5/7/02              | Longman (Meady Pl)                          | 3051.64              |
| 5/27/02             | CT Mulby                                    | 360.66               |
| 5/30/02             | Randy Angel Refund                          | 609.11               |
| 5/30/02             | Refund                                      | 4860.14              |
| 7/2/02              | per bond & Arby                             |                      |
| 7/2/02              | were (My 2)                                 | 4068.70              |
| 10/17/02            | Per Price                                   | 1668.03              |
|                     | H Peim 461 @ 6.67                           | 3074.87              |





**NORTH SHELBY WATER COMPANY**  
**LINE UPSIZE REVISIONS**

**PROJECT 02-21**  
**6/13/2002**

| <b>PROJECT NO.</b> | <b>PROJECT</b>    | <b>TOTAL PROJECT COST</b> | <b>TOTAL LENGTH OF 6" PIPE</b> | <b>ADJUSTED COST PER FOOT OF 6" PIPE</b> |
|--------------------|-------------------|---------------------------|--------------------------------|--|
| 00-10              | Trammel Rd.       | \$17,596.50               | 1,590                          | \$11.07                                  |
| 00-24              | Rattletrap Rd.    | \$12,147.50               | 859                            | \$14.14                                  |
| 99-30              | Old Mill Village* | \$52,490.00               | 3,715                          | \$14.13                                  |
|                    | <b>TOTAL</b>      | <b>\$82,234.00</b>        | <b>6,164</b>                   | <b>\$13.34</b>                           |

\*Based on all 6-inch pipe (actual cost \$101,094.06)

1/2 OF THE ADJUSTED COST PER FOOT = \$6.67

## 2003

Priority List: New 2003 Priority List attached

### Financial Information:

\$25,025.00 spent in 2002 on #1 priority project – first phase of Harrington Mill upgrade. Also, \$4,860.14 was refunded to Rick Quire because he had to build a new water main.

Itemization of LEC amounts collected in 2002 and balance in LEC account at end of 2002 attached. Note there was an additional \$200,000.00 plus all accrued interest in the Certificate of Deposit – value at end of 2002 unavailable, but no funds or accrued interest were ever withdrawn from the Certificate of Deposit.

Itemization of LEC calculations producing new 2003 LEC rate attached

## LINE UPSIZE CHARGE

### 2003 PRIORITY LIST

The distribution system of the North Shelby Company has more than 250 miles of pipelines. The portion of the system with sub-standard pipelines amounts to more than 86 miles. Approximately 416,000 linear feet of 3-inch and more than 42,000 linear feet of 2-inch pipe makes up the current system. In addition to these small pipelines several larger pipes need upgrading as well.

Construction that has taken place since the original priority list developed in 1995 consists of the loop closing on Bob Rogers Road and the Lebanon Ridge Connection. The most recent upgrade is the construction of the 12-inch portion of the Harrington Mill Upgrade. Bob Rogers and Lebanon Ridge were done with other company funds and did not reduce the money being accumulated. The Harrington Mill Upgrade used \$34,010 of the upgrade fund.

The priority list for upgrades is as follows:

1. Aiken Road Upgrade

Recently, the Women's Penitentiary upgraded the Aiken Road and Ash Avenue portion of the system, adding a metering point at the Jefferson County line. Continuing to rebuild Aiken Road to its juncture with Long Run will enable the system to bring more water from Louisville into North Shelby. The 6-inch pipeline will be upgraded to a 12-inch pipeline with a new booster pump station. The expected cost of the upgrade is \$400,000.

2. Bob Rogers Road Upgrade

The existing 2-inch pipeline along Bob Rogers Road was 2,000 linear feet of original construction with 8,000 linear feet added in subsequent extensions. The continued growth of this area with rural residences has made the 2-inch lines obsolete. The upgrade would require replacement of 6,000 linear feet of lines. The total expected cost is approximately \$50,000.

### 3. Harrington Mill Upgrade

The existing 3-inch pipeline was part of the original construction of the Water Company. This line is proposed to be part of the major transmission main bringing water from Louisville to the center of the system. The proximity to Shelbyville has led to the construction of numerous single family homes and one subdivision along the main. The line consists of 13,000 linear feet of pipeline. The upgrading would consist of 11,000 linear feet of 8-inch pipelines. The total expected cost is approximately \$300,000.



**Paul E. Patton, Governor**

**Janie A. Miller, Secretary  
Public Protection and  
Regulation Cabinet**

**Thomas M. Dorman  
Executive Director  
Public Service Commission**

**COMMONWEALTH OF KENTUCKY  
PUBLIC SERVICE COMMISSION**  
211 SOWER BOULEVARD  
POST OFFICE BOX 615  
FRANKFORT, KENTUCKY 40602-0615  
[www.psc.state.ky.us](http://www.psc.state.ky.us)  
(502) 564-3940  
Fax (502) 564-3460

**Martin J. Huelsmann  
Chairman**

**Gary W. Gillis  
Vice Chairman**

**Robert E. Spurlin  
Commissioner**

April 28, 2003

North Shelby Water Company  
Duncan LeCompte, President  
P.O. Box 97  
Bagdad, Kentucky 40003

RE: Case No. 1995-00161

Dear Mr. LeCompte:

On September 25, 1995 the Public Service Commission issued a final order in this case. It was ordered that "A prioritized list of proposed enlargement projects, together with the estimated cost of each project, should be filed by North Shelby with the Commission each year as a special supplement to its annual report. North Shelby should also include in that special supplement the list of projects completed during the report year and the cost of each project. In addition, the supplement should itemize the amount of line enlargement charge revenues collected from developers during the report year, the individual expenditures, and the balance of funds remaining in the escrow account." Upon review of North Shelby's 2001 and 2002 annual reports it was determined that the information the utility was ordered to file was not included.

Please make the appropriate filings within two weeks of the date of this letter. They should be mailed to Kentucky Public Service Commission, Financial Analysis Division, ATTN: Chris Whelan, P.O. Box 615, Frankfort, Kentucky 40601.

Should you have any questions with regard to this letter Ms. Whelan can be contacted at (502) 564-3940, Ext. 233.

Sincerely,

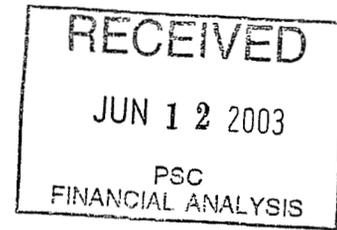
A handwritten signature in black ink that reads "David Brown".

David Brown, Director  
Division of Filings

cj



**NORTH SHELBY WATER COMPANY  
U.S. 60 WATER DISTRICT  
P.O. BOX 97  
BAGDAD, KENTUCKY 40003  
(502) 747-8942 OR 1-800-870-4148**



**June 11, 2003**

**Chris Whelan  
Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, KY 40602-0615**

**Mr. Whelan:**

**Enclosed is the requested information concerning our line upsize program. Again, I apologize for this information not being submitted with our annual report. I had been assured this information was included at the time. To avoid any further problems, I will be handling this part of our annual report personally in the future. Should you have any further questions please feel free to contact me at the above numbers.**

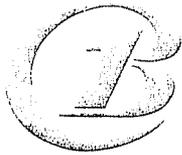
**Sincerely,**

A handwritten signature in cursive script that reads "Darrell Dees". The signature is written in dark ink and is positioned above the printed name and title.

**Darrell Dees  
Manager**

|    |                     |                            |                    |               |             |
|----|---------------------|----------------------------|--------------------|---------------|-------------|
| 19 | 4/13/01             | Schweitzer                 | H <sub>3</sub> 62  | 737,53 @ 6.01 | 21454 47    |
| 20 | 5/22/01             | Dale (Benson)              | 250.83             | "             | 4432156     |
| 21 | 8/10/01             | ZARINS                     | 500.34             |               | 1507 50     |
| 22 | 01/01/01            | Oleete (Cooper)            | 100.01             |               | 3007 04     |
| 23 | 9/18/01             | Barnett                    | 765.3              |               | 601.06      |
| 24 | 11/6/01             | shuck                      | 584                |               | 4578 43     |
| 25 | 11/01/01            | McLarty                    | 1316.64            |               | 3509 84     |
| 26 | 11/01/01            | Heaton                     | 723.95             |               | 8393 81     |
| 27 | 11/30/01            | Wallace                    | 175.00             |               | 435 94      |
| 28 | 12/5/01             |                            | Refund             |               | 1031 75     |
| 29 | 12/14/01            | Clare                      | 562.75             |               | 601.06      |
| 30 | <del>10/30/01</del> | <del>Winters (ES Rd)</del> | <del>196.75</del>  |               | 3382 13     |
| 31 | 1/7/02              | NSW TRANSFER               | 25,025.00 to Coast |               | 11838 22    |
| 32 | 3                   |                            | old mill ext       |               | - 25,025.00 |
| 33 | 3/19/02             | Conroy                     | 619.85 @ 6.01      |               |             |
| 34 | 5/7/02              | Coughlan (Moody PI)        |                    |               | 3725 30     |
| 35 | 5/30/02             | CT Mulling                 |                    |               | 3051.64     |
| 36 | 5/30/02             | Randy Angel                |                    |               | 360 66      |
| 37 | 5/30/02             |                            | Refund             |               | 609.11      |
| 38 |                     |                            | per load & Atty    |               | 4860 14     |
| 39 | 7/2/02              | WARD (H <sub>3</sub> 12)   |                    |               |             |
| 40 | 7/2/02              | RICH PRICE                 |                    |               | 4068 70     |
|    | 10/7/02             | H Peim                     | 461 @ 6.67         |               | 1668 03     |
|    |                     |                            |                    |               | 3074.87     |

|    |                    |                              |                       |         |                    |
|----|--------------------|------------------------------|-----------------------|---------|--------------------|
| 1  | 10/28/02           | SLY (H <sub>3</sub> 12)      | 399 @ 6.67            |         | 2667 93            |
| 2  | 11/22/02           | Miller                       | 744.63                |         | 4966 69            |
| 3  | 12/09/02           | Fambush                      |                       |         | 1752 81            |
| 4  | <del>1/19/03</del> | <del>Randy Angel</del>       | <del>150 @ 6.67</del> |         | <del>1000.50</del> |
| 5  | 2/26/03            | Barnett                      | 4776.63               |         | 8186 012           |
| 6  | 4/29/03            | Ellis                        | 1032.86               |         | 6889 18            |
| 7  | 4/29/03            | Loft                         | 250                   |         | 1667 50            |
| 8  | 6/13/03            | Keaton H <sub>3</sub> 12     | 289                   |         | 1927 63            |
| 9  | 6/20/03            | Rotmberg (SS)                | 992.89 @ 6.67         |         | 6622 64            |
| 10 | 6/20/03            | Bryant                       | 249.81                |         | 1666.29            |
| 11 | 6/30/03            | Simpson (Hebrard)            | 637.8                 |         | 4254.13            |
| 12 |                    |                              |                       |         |                    |
| 13 |                    | July 1 <sup>st</sup> 03      | NR RATE               | 5.34 AD |                    |
| 14 | 7/28/03            | Griffen (H <sub>3</sub> 53)  | 250 @ 5.34            |         | 1335.00            |
| 15 | 7/28/03            | Shole (unsub)                | 490.94                |         | 2621 61            |
| 16 | 8/16/03            | Rotmberg (H <sub>3</sub> 12) | 638.80                |         | 3417 60            |
| 17 | 8/22/03            | Quire (CBS)                  | 250                   |         | 1335.00            |
| 18 | 1/20/04            | Smith                        | 600                   |         | 3204 00            |
| 19 | 1/20/04            | Plas                         | 380.20                |         | 2630 26            |
| 20 | 3/5/04             | SLY (H <sub>3</sub> 12)      | 736.11 @ 5.34         |         | 3930 83            |
| 21 | 3/30/04            | McIntosh (CS)                | 1313.58               |         | 7025 20            |
| 22 | 4/13/04            | Sanders                      | 786.02                |         | 4250 75            |
| 23 | 4/13/04            | Keal (PRIDY)                 | 698.82                |         | 3731 70            |
| 24 | 4/22/04            | Hahn (Hushugh)               | 274.72                |         | 1467.00            |
| 25 | 5/25/04            | Fland                        |                       | Refund  |                    |



Commonwealth  
Bank & Trust Company

Phone: 502-633-1000

STATEMENT

|                           |          |
|---------------------------|----------|
| Page<br>1 of 2            |          |
| Account Number<br>5115159 |          |
| Statement Period          |          |
| From                      | 11/30/02 |
| To                        | 12/31/02 |

NORTH SHELBY WATER COMPANY  
LINE UPSIDE SURCHARGE  
P O BOX 97  
BAGDAD KY 40003



**MONEY MARKET SAVINGS**

|  |   |    |                   |
|--|---|----|-------------------|
| Beginning balance on November 30, 2002     |   | \$ | 175,991.37        |
| Total Deposits and Credits:                | 1 | +  | 1,752.81          |
| Total Checks and Debits:                   | 0 | -  | .00               |
| <b>Service Charge</b>                      |   | -  | 0                 |
| Interest Paid                              |   | +  | 261.60            |
| <b>Ending balance on December 31, 2002</b> |   | \$ | <b>178,005.78</b> |

● **Interest Summary**

|   |          |
|---|----------|
| INTEREST EARNED FROM 11-30-02 TO 12-31-02 |          |
| DAYS IN PERIOD                            | 31       |
| INTEREST EARNED                           | 261.60   |
| ANNUAL PERCENTAGE YIELD EARNED            | 1.75     |
| INTEREST PAID THIS YEAR                   | 3,147.33 |

● **Interest Rate Summary**

| Date  | Rate | Date | Rate | Date | Rate |
|-------|------|------|------|------|------|
| 11/30 | 1.74 |      |      |      |      |

● **Daily Balance Summary**

| Date  | Balance    | Date  | Balance    | Date  | Balance |
|-------|------------|-------|------------|-------|---------|
| 12-10 | 177,744.18 | 12-31 | 178,005.78 | 12-27 |         |

● **Credits And Other Debits**

| Date     | Tracer  | Description      | Amount   |
|----------|---------|------------------|----------|
| 12-10-02 | 00-0000 | CUSTOMER DEPOSIT | 1,752.81 |
| 12-31-02 | 00-0000 | INTEREST PAYMENT | 261.60   |

**NORTH SHELBY WATER COMPANY**

**PROJECT 03-06**

**5/28/03**

**LINE UPSIZE REVISIONS 2003**

| PROJECT NO. | PROJECT          | TOTAL COST   | LENGTH OF 6" PIPE |                      | PROJECT COST PER FOOT |
|-------------|------------------|--------------|-------------------|----------------------|-----------------------|
| 02-12       | Athletic Complex | \$28,244.08  | 2,280             |                      | \$12.39               |
| 02-11       | Beard's Lane     | \$43,040.12  | 4,260             |                      | \$10.10               |
| 00-12       | Bellview Road    | \$11,266.50  | 830               |                      | \$13.57               |
| 02-01       | Cotter Farm      | \$21,660.00  | 2,400             |                      | \$9.03                |
|             |                  | \$104,210.70 | 9,770             | 2002 Cost/LF (AVG) = | \$10.67               |

Line Upside Charge is based upon 1/2 the average line cost of the previous year.

$$\frac{\$10.67}{2} = \$5.34 \text{ per foot}$$

## 2004

Priority List: Unchanged from 2003

### Financial Information:

No LEC money spent in 2003

Itemization of LEC amounts collected in 2003 and balance in LEC account at end of 2003 attached. Note there was an additional \$200,000.00 plus all accrued interest in the Certificate of Deposit – value at end of 2003 was \$223,739.49.

Itemization of LEC calculations producing new 2004 LEC rate attached

LINE UPSIZE CHARGE

~~2003~~ PRIORITY LIST

The distribution system of the North Shelby Company has more than 250 miles of pipelines. The portion of the system with sub-standard pipelines amounts to more than 86 miles. Approximately 416,000 linear feet of 3-inch and more than 42,000 linear feet of 2-inch pipe makes up the current system. In addition to these small pipelines several larger pipes need upgrading as well.

Construction that has taken place since the original priority list developed in 1995 consists of the loop closing on Bob Rogers Road and the Lebanon Ridge Connection. The most recent upgrade is the construction of the 12-inch portion of the Harrington Mill Upgrade. Bob Rogers and Lebanon Ridge were done with other company funds and did not reduce the money being accumulated. The Harrington Mill Upgrade used \$34,010 of the upgrade fund.

The priority list for upgrades is as follows:

1. Aiken Road Upgrade

Recently, the Women's Penitentiary upgraded the Aiken Road and Ash Avenue portion of the system, adding a metering point at the Jefferson County line. Continuing to rebuild Aiken Road to its juncture with Long Run will enable the system to bring more water from Louisville into North Shelby. The 6-inch pipeline will be upgraded to a 12-inch pipeline with a new booster pump station. The expected cost of the upgrade is \$400,000.

2. Bob Rogers Road Upgrade

The existing 2-inch pipeline along Bob Rogers Road was 2,000 linear feet of original construction with 8,000 linear feet added in subsequent extensions. The continued growth of this area with rural residences has made the 2-inch lines obsolete. The upgrade would require replacement of 6,000 linear feet of lines. The total expected cost is approximately \$50,000.

### 3. Harrington Mill Upgrade

The existing 3-inch pipeline was part of the original construction of the Water Company. This line is proposed to be part of the major transmission main bringing water from Louisville to the center of the system. The proximity to Shelbyville has led to the construction of numerous single family homes and one subdivision along the main. The line consists of 13,000 linear feet of pipeline. The upgrading would consist of 11,000 linear feet of 8-inch pipelines. The total expected cost is approximately \$300,000.

# North Elkhart Water 2003 UPSIZE RECEIPTS

|             |          |      |
|-------------|----------|------|
| Prepared By | Initials | Date |
| Approved By |          |      |

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|    |                     |                                  |                     |                   |                     |
|----|---------------------|----------------------------------|---------------------|-------------------|---------------------|
| 1  | <del>10/28/02</del> | <del>Shy (H312)</del>            | <del>399 @</del>    | <del>667</del>    | <del>2667.93</del>  |
| 2  | <del>11/22/02</del> | <del>Muller "</del>              | <del>744.63</del>   | <del>"</del>      | <del>4966.69</del>  |
| 3  | <del>12/09/02</del> | <del>Fambugh</del>               |                     |                   | <del>1752.81</del>  |
| 4  | 1/29/03             | Rand Angel                       | 150 @               | 667               | 1000.50             |
| 5  | 2/25/03             | Barnett                          | 4776.63             |                   | 31860.12            |
| 6  | 4/29/03             | Ellis                            | 1032.86             |                   | 6889.18             |
| 7  | 4/29/03             | Lotz                             | 250                 |                   | 1667.50             |
| 8  | 6/13/03             | Keaton                           | H312                | 289               | 1927.63             |
| 9  | 6/20/03             | Rothbuz (SS)                     | 992.89 @            | 667               | 6622.64             |
| 10 | 6/20/03             | Bryant                           | 249.81              |                   | 1666.29             |
| 11 | 6/30/03             | Simpson (Hebron Rd)              | 637.8               | "                 | 4234.13             |
| 12 |                     |                                  |                     |                   |                     |
| 13 |                     | July 1 <sup>st</sup> 03 New Rate | 5.34                | AD                |                     |
| 14 | 7/28/03             | Gr. Aker (H353)                  | 250 @               | 534               | 1335.00             |
| 15 | 7/28/03             | Shel (unsubscr)                  | 490.94              |                   | 2621.61             |
| 16 | 8/16/03             | Rothbuz (H312)                   | 638.80              |                   | 3417.60             |
| 17 | 8/22/03             | Quire (CBG)                      | 250                 |                   | 1335.00             |
| 18 | <del>1/20/04</del>  | <del>Smith</del>                 | <del>600</del>      |                   | <del>3264.00</del>  |
| 19 | 1/20/04             | Flayd                            | 380.20              |                   | 2030.26             |
| 20 | 3/5/04              | Shy (H312)                       | 736.11 @            | 534               | 3930.83             |
| 21 | 3/30/04             | McIntosh (CS)                    | 1313.58             |                   | 7025.20             |
| 22 | 4/13/04             | Sanders                          | 796.02              |                   | 4250.75             |
| 23 | 4/13/04             | Keel (Ridg)                      | 698.82              |                   | 3731.70             |
| 24 | 4/22/04             | Hahn (Hansburgh)                 | 274.72              |                   | 1467.00             |
| 25 | 5/25/04             | Flayd                            |                     | Retrd             | -2030.26            |
| 26 | 6/08/04             | Bolew (Bhd Fm)                   | 324.15              |                   | 1730.96             |
| 27 | 6/16/04             | Rothbuz (SS)                     | 250                 |                   | 1335.00             |
| 28 |                     |                                  |                     |                   |                     |
| 29 | <del>06/21/04</del> | <del>New Rate</del>              | <del>5.21</del>     | <del>AD</del>     |                     |
| 30 | <del>06/29/04</del> | <del>Walch</del>                 | <del>307.43 @</del> | <del>5.21</del>   | <del>1601.71</del>  |
| 31 | <del>07/20/04</del> | <del>CCG Inc (Ells Rd)</del>     | <del>250</del>      |                   | <del>1303.00</del>  |
| 32 | <del>07/20/04</del> | <del>"</del>                     | <del>"</del>        | <del>514.46</del> | <del>2680.33</del>  |
| 33 | <del>8/02/04</del>  | <del>Whitkirst (Rosedale)</del>  | <del>1197.86</del>  |                   | <del>6240.90</del>  |
| 34 | <del>08/03/04</del> | <del>Turner (Down Rd)</del>      | <del>1965.74</del>  |                   | <del>10241.51</del> |
| 35 | <del>01/25/05</del> | <del>Ed Deam (Ells Rd)</del>     | <del>450.33</del>   |                   | <del>2546.21</del>  |
| 36 | <del>01/25/05</del> | <del>"</del>                     | <del>"</del>        | <del>461.58</del> | <del>2404.84</del>  |
| 37 | <del>01/25/05</del> | <del>Hsil Fm</del>               | <del>685.2</del>    |                   | <del>3569.48</del>  |
| 38 | <del>01/25/05</del> | <del>"</del>                     | <del>"</del>        | <del>685.2</del>  | <del>3569.48</del>  |
| 39 | 03/07/05            | wildon (H312)                    |                     |                   | 1834.70             |
| 40 | 03/07/05            | Rothbuz (43)                     |                     |                   | 956.87              |
|    | 04/07/05            | Britz (Catalina)                 |                     |                   | 2988.77             |



Phone: 502-244-7700

STATEMENT

|                                  |          |
|----------------------------------|----------|
| <b>Page</b><br>1 of 1            |          |
| <b>Account Number</b><br>6500722 |          |
| <b>Statement Period</b>          |          |
| <b>From</b>                      | 12/01/03 |
| <b>To</b>                        | 12/31/03 |

NORTH SHELBY WATER COMPANY  
P O BOX 97  
BAGDAD, KY 40003

***Sweep Account***

**Line Upside Upcharge**

**North Shelby Water Company**

|                                     |            |
|-------------------------------------|------------|
| Beginning Balance<br>as of 12/01/03 | 245,527.16 |
| Deposits & Other Credits            | 240.47     |
| Checks & Other Debits               | 0.00       |
| Average Balance                     | 245,527.16 |
| Ending Balance<br>as of 12/31/03    | 245,767.63 |

• **Transaction Information**

| <b>Date</b> | <b>Check #</b> | <b>Description</b>                 | <b>Amount</b> |
|-------------|----------------|------------------------------------|---------------|
| 12/09       |                | CR Rate Change: 1.090 % To 1.140 % |               |
| 12/16       |                | CR Rate Change: 1.140 % To 1.190 % |               |
| 12/31       |                | Interest Paid                      | 240.47        |

• **Daily Balance Information**

| <b>Date</b> | <b>Balance</b> | <b>Date</b> | <b>Balance</b> | <b>Date</b> | <b>Balance</b> |
|-------------|----------------|-------------|----------------|-------------|----------------|
| 12/31       | 245,767.63     |             |                |             |                |

Commonwealth Bank & Trust Company  
 12906 Shelbyville Road  
 Louisville, KY 40243-4214

CB&T - Main Street Branch  
 Main: (502) 259-2200  
 Fax: (502) 259-1100

North Shelby Water Company  
 P O Box 97  
 Bagdad, KY 40003

Date: Dec 15, 2005  
 Period: December 1, 2003 to December 15, 2005  
 (746 days)

TIN: 23-7115869  
 Personal  
 Banker: Belinda Nichols

ACCOUNT #: **CD - 1700000541** 31-90 day Repo

Transaction Information

| Effective Date | Entered Date | CK # | Description                           | Amount     | Balance    |
|----------------|--------------|------|---------------------------------------|------------|------------|
| 12/07/03       | 12/31/03     |      | Opening Deposit                       | 223,739.49 | 223,739.49 |
| 12/07/03       | 12/31/03     |      | Original Cr Rate: 1.250 %             | 0.00       | 223,739.49 |
| 12/07/03       | 12/31/03     |      | *** Backdate: Credit Accrual Increase | 183.89     | 223,739.49 |
| 12/07/03       | 12/31/03     |      | Rate Change: 1.250 % To 1.000 %       | 0.00       | 223,739.49 |
| 12/31/03       | 12/31/03     |      | Original Cr Rate: 1.250 %             | 0.00       | 223,739.49 |
| 12/31/03       | 12/31/03     |      | CR Rate Change: 1.250 % To 1.000 %    | 0.00       | 223,739.49 |
| 12/31/03       | 12/31/03     |      | *** Accrued Credit Interest Decrease  | 36.78      | 223,739.49 |
| 03/06/04       | 03/05/04     |      | Interest Paid                         | 550.59     | 224,290.08 |
| 03/06/04       | 03/05/04     |      | Maturity                              | 0.00       | 224,290.08 |
| 03/06/04       | 03/05/04     |      | CR Rate Change: 1.000 % To 1.250 %    | 0.00       | 224,290.08 |
| 03/06/04       | 03/05/04     |      | Renewal                               | 224,290.08 | 224,290.08 |
| 03/16/04       | 03/16/04     |      | RenewPending Expiration               | 0.00       | 224,290.08 |
| 06/04/04       | 06/03/04     |      | Interest Paid                         | 689.42     | 224,979.50 |
| 06/04/04       | 06/03/04     |      | Maturity                              | 0.00       | 224,979.50 |
| 6/04/04        | 06/03/04     |      | Renewal                               | 224,979.50 | 224,979.50 |
| 06/14/04       | 06/14/04     |      | RenewPending Expiration               | 0.00       | 224,979.50 |
| 09/02/04       | 09/01/04     |      | Interest Paid                         | 691.53     | 225,671.03 |
| 09/02/04       | 09/01/04     |      | Maturity                              | 0.00       | 225,671.03 |
| 09/02/04       | 09/01/04     |      | Renewal                               | 225,671.03 | 225,671.03 |
| 09/12/04       | 09/12/04     |      | RenewPending Expiration               | 0.00       | 225,671.03 |
| 12/01/04       | 11/30/04     |      | Interest Paid                         | 693.66     | 226,364.69 |
| 12/01/04       | 11/30/04     |      | Maturity                              | 0.00       | 226,364.69 |
| 12/01/04       | 11/30/04     |      | CR Rate Change: 1.250 % To 0.750 %    | 0.00       | 226,364.69 |
| 12/01/04       | 11/30/04     |      | Renewal                               | 226,364.69 | 226,364.69 |
| 12/11/04       | 12/11/04     |      | RenewPending Expiration               | 0.00       | 226,364.69 |
| 03/01/05       | 02/28/05     |      | Interest Paid                         | 418.23     | 226,782.92 |
| 03/01/05       | 02/28/05     |      | Maturity                              | 0.00       | 226,782.92 |
| 03/01/05       | 02/28/05     |      | Renewal                               | 226,782.92 | 226,782.92 |
| 03/11/05       | 03/11/05     |      | RenewPending Expiration               | 0.00       | 226,782.92 |
| 05/30/05       | 05/29/05     |      | Interest Paid                         | 419.39     | 227,202.31 |
| 05/30/05       | 05/29/05     |      | Maturity                              | 0.00       | 227,202.31 |
| 05/30/05       | 05/29/05     |      | CR Rate Change: 0.750 % To 1.340 %    | 0.00       | 227,202.31 |
| 05/30/05       | 05/29/05     |      | Renewal                               | 227,202.31 | 227,202.31 |
| 06/09/05       | 06/09/05     |      | RenewPending Expiration               | 0.00       | 227,202.31 |
| 08/28/05       | 08/27/05     |      | Interest Paid                         | 750.70     | 227,953.01 |
| 08/28/05       | 08/27/05     |      | Maturity                              | 0.00       | 227,953.01 |
| 08/28/05       | 08/27/05     |      | Renewal                               | 227,953.01 | 227,953.01 |
| 09/07/05       | 09/07/05     |      | RenewPending Expiration               | 0.00       | 227,953.01 |
| 11/26/05       | 11/25/05     |      | Interest Paid                         | 753.19     | 228,706.20 |
| 11/26/05       | 11/25/05     |      | Maturity                              | 0.00       | 228,706.20 |
| 11/26/05       | 11/25/05     |      | Renewal                               | 228,706.20 | 228,706.20 |
| 12/06/05       | 12/06/05     |      | RenewPending Expiration               | 0.00       | 228,706.20 |

**NORTH SHELBY WATER COMPANY**

**PROJECT 04-14**

**5/28/2004**

**LINE UPSIZE REVISIONS 2004**

| PROJECT NO. | PROJECT               | TOTAL COST   | LENGTH OF 6" PIPE |                      | PROJECT COST PER FOOT |
|-------------|-----------------------|--------------|-------------------|----------------------|-----------------------|
| 02-04       | Partridge Run II      | \$35,042.67  | 1,660             |                      | \$21.11               |
| 02-16       | Magnolia Place II     | \$17,850.00  | 1,825             |                      | \$9.78                |
| 02-32       | Hansboro Road         | \$13,945.00  | 505               |                      | \$27.61               |
| 02-34       | KY 43 Ext             | \$324,701.96 | 36,338            |                      | \$8.94                |
| 03-01       | Brassfield/N. Country | \$53,691.90  | 2,387             |                      | \$22.49               |
|             |                       | \$445,231.53 | 42,715            | 2003 Cost/LF (AVG) = | \$10.42               |

Line Upside Charge is based upon 1/2 the average line cost of the previous year.

$$\frac{\$10.42}{2} = \$5.21 \text{ per foot}$$

## 2005

Priority List: New 2005 Priority List attached

### Financial Information:

No LEC money spent in 2004; however, \$2,030.26 was refunded because zoning rejected the plat

Itemization of LEC amounts collected in 2004 and balance in LEC account and value of \$200,000.00 Certificate of Deposit at end of 2004 attached

Itemization of LEC calculations producing new 2005 LEC rate attached

LINE UPSIZE CHARGE  
2005 PRIORITY LIST

The distribution system of the North Shelby Company has more than 250 miles of pipelines. The portion of the system with sub-standard pipelines amounts to more than 86 miles. Approximately 416,000 linear feet of 3-inch and more than 42,000 linear feet of 2-inch pipe makes up the current system. In addition to these small pipelines several larger pipes need upgrading as well.

Construction that has taken place since the original priority list developed in 1995 consists of the loop closing on Bob Rogers Road and the Lebanon Ridge Connection. The most recent upgrade is the construction of 1,750 L.F. of the 12-inch portion of the Harrington Mill Upgrade. Bob Rogers and Lebanon Ridge were done with other company funds and did not reduce the money being accumulated. The Harrington Mill Upgrade used \$34,010 of the upgrade fund.

The priority list for upgrades is as follows:

1. Bob Rogers Road Upgrade

The existing 2-inch pipeline along Bob Rogers Road was 2,000 linear feet of original construction with 8,000 linear feet added in subsequent extensions. A complaint by a customer to the PSC and subsequent order by the PSC to upgrade this project make it #1. The continued growth of this area with rural residences has made the 2-inch lines obsolete. The upgrade would require replacement of 6,000 linear feet of lines and the closing of a loop on Hansborough Road. The total expected cost is approximately \$139,049.00. The Shelby Fiscal court has made a grant in the amount of \$34,762.00 for this project.

2. Mulberry Pike

This project closes with a loop two long dead end lines of Clear Creek Pike and Mulberry Pike. Construction is estimated to require 4,640 linear feet of 6-inch pipe and a stream crossing will be needed. The total expected cost is approximately \$47,183.00.

3. Drane Lane

This project involves an extension of approximately

4,580 feet of 6-inch pipe and associated appurtenances. The number of new customers is expected to be 5 to 6 new tap-ons. The total expected cost is approximately \$54,618.50.

#### 4. Trammell Road Loop

This project requires the installation of approximately 5,610 linear feet of 6-inch line, as well as one fire hydrant. Additionally, an air release valve, 30 linear feet of driveway crossing and 40 linear feet of stream crossing will be required. The total expected cost is approximately \$74,047.00.

#### 5. Aiken Road Upgrade

Recently, the Women's Penitentiary upgraded the Aiken Road and Ash Avenue portion of the system, adding a metering point at the Jefferson County line. This construction used \$68,300 of the upgrade fund. Continuing to rebuild Aiken Road to its juncture with Long Run will enable the system to bring more water from Louisville into North Shelby. The 6-inch pipeline will be upgraded to a 12-inch pipeline with a new booster pump station. The expected cost of the upgrade is \$500,000. A grant from the legislature is expected to partially fund the project.

#### 6. Harrington Mill Upgrade

The existing 3-inch pipeline was part of the original construction of the Water Company. This line is proposed to be part of the major transmission main bringing water from Louisville to the center of the system. The proximity to Shelbyville has led to the construction of numerous single-family homes and several subdivisions along the main. The line consists of 13,000 linear feet of pipeline. The upgrading would consist of 11,000 linear feet of 12-inch pipelines. The total expected cost is approximately \$300,000.

# North Shelby Water 2004 UPSIZE RECEIPTS

|             |          |      |
|-------------|----------|------|
| Prepared By | Initials | Date |
| Approved By |          |      |

© WILSON JONES

G7502 ColumnWrite ©

|    |                     |                                |                     |                 |                     |
|----|---------------------|--------------------------------|---------------------|-----------------|---------------------|
| 1  | <del>70/28/02</del> | <del>Shy (H312)</del>          | <del>399 @</del>    | <del>667</del>  | <del>2667.43</del>  |
| 2  | <del>11/22/02</del> | <del>Miller "</del>            | <del>744.63</del>   | <del>"</del>    | <del>4966.68</del>  |
| 3  | <del>12/09/02</del> | <del>Fambugh</del>             |                     |                 | <del>1752.81</del>  |
| 4  | <del>1/29/03</del>  | <del>Rand Angel</del>          | <del>150 @</del>    | <del>667</del>  | <del>1000.50</del>  |
| 5  | <del>2/25/03</del>  | <del>Barnett</del>             | <del>4776.63</del>  |                 | <del>81860.12</del> |
| 6  | <del>4/29/03</del>  | <del>Ellis</del>               | <del>1032.86</del>  |                 | <del>6889.18</del>  |
| 7  | <del>4/29/03</del>  | <del>Loft</del>                | <del>250</del>      |                 | <del>1667.50</del>  |
| 8  | <del>6/13/03</del>  | <del>Keaton</del>              | <del>H312</del>     | <del>2.89</del> | <del>1922.63</del>  |
| 9  | <del>6/20/03</del>  | <del>Rothbrye (SS)</del>       | <del>992.89 @</del> | <del>667</del>  | <del>6622.64</del>  |
| 10 | <del>6/20/03</del>  | <del>Bryant</del>              | <del>249.81</del>   |                 | <del>1666.29</del>  |
| 11 | <del>6/30/03</del>  | <del>Simpson (Hebron Rd)</del> | <del>637.8</del>    | <del>"</del>    | <del>4234.13</del>  |
| 12 |                     |                                |                     |                 |                     |
| 13 |                     | July 1st 03                    | New Rate            | 5.34            | AS                  |
| 14 | <del>7/28/03</del>  | <del>Gr. Aft. (H353)</del>     | <del>250 @</del>    | <del>534</del>  | <del>1335.00</del>  |
| 15 | <del>7/28/03</del>  | <del>Shel (unsubscr)</del>     | <del>490.94</del>   |                 | <del>2621.61</del>  |
| 16 | <del>8/16/03</del>  | <del>Rothbrye (H312)</del>     | <del>638.80</del>   |                 | <del>3417.60</del>  |
| 17 | <del>8/22/03</del>  | <del>Loft (C65)</del>          | <del>250</del>      |                 | <del>1335.00</del>  |
| 18 | 1/20/04             | Smith                          | 600                 |                 | 3204.00             |
| 19 | 1/20/04             | Flayd                          | 380.20              |                 | 2030.26             |
| 20 | 3/5/04              | Shy (H312)                     | 736.11              | @ 534           | 3930.83             |
| 21 | 3/30/04             | McIntosh (C5)                  | 1315.58             |                 | 7025.20             |
| 22 | 4/13/04             | Sanders                        | 796.02              |                 | 4250.75             |
| 23 | 4/13/04             | Keel (Priddy)                  | 698.82              |                 | 3731.70             |
| 24 | 4/22/04             | Hahn (Hunshugh)                | 274.72              |                 | 1467.00             |
| 25 | 5/25/04             | Flayd                          |                     | Refund          | -2030.26            |
| 26 | 6/08/04             | Bolew (Bhd Fm)                 | 324.15              |                 | 1730.96             |
| 27 | 6/16/04             | Rothbrye (SS)                  | 250                 |                 | 1335.00             |
| 28 |                     |                                |                     |                 |                     |
| 29 | 06/21/04            | New Rate                       | 5.21                | AS              |                     |
| 30 | 06/29/04            | Walch                          | 307.43 @            | 5.21            | 1601.71             |
| 31 | 07/20/04            | CC6 Inc (Ellis Rd)             | 250                 |                 | 1303.00             |
| 32 | 07/20/04            | "                              | 514.46              |                 | 2680.33             |
| 33 | 8/02/04             | Wahlhoist (Roz Dln)            | 1197.86             |                 | 6240.90             |
| 34 | 08/03/04            | Turner (Dover Rd)              | 1965.74             |                 | 10241.51            |
| 35 | <del>01/25/05</del> | <del>Ed Farm (Ellis Rd)</del>  | <del>450.33</del>   |                 | <del>2546.21</del>  |
| 36 | 01/25/05            | "                              | 461.58              |                 | 2404.87             |
| 37 | 01/25/05            | Hill Fm                        | 685.2               |                 | 3569.98             |
| 38 | 01/25/05            | "                              | 685.2               |                 | 3569.98             |
| 39 | 02/10/05            | Weldon (H312)                  |                     |                 | 1834.70             |
| 40 | 03/07/05            | Rothbrye (43)                  |                     |                 | 956.87              |
|    | 04/07/05            | Bart (Cattail Rd)              |                     |                 | 2988.77             |



NORTH SHELBY WATER COMPANY  
PO BOX 97  
BAGDAD, KY 40003

RECEIVED

Chris Whalen  
Public Service Commission  
211 Sower Blvd  
PO box 615  
Frankfort, Ky 40601

JUL 26 2005

PUBLIC SERVICE  
COMMISSION

RE: \*Line Up-size Account

Ms Whalen,

Enclosed is the information you requested during our recent audit on July 13, 05. The ending balance in the line up-size account for 2004 was \$296,721.44. We collected \$48,742.89 during 2004. As of 07/19/05 we collectd an additional \$37,783.78, giving this account a balance of \$334,505.22. On 07/19/05 we withdrew \$312,920.50 for the projects on our 2005 Priority List leaving a balance of \$21,584.72. If you have any questions, please contact me at 502-747-8942.

Sincerely



Darrell Dees

RECEIVED

JUL 26 2005

FINANCIAL A&A

NORTH SHELBY WATER

JUNE 17, 2004

Chris Whelan  
Public Service Commission

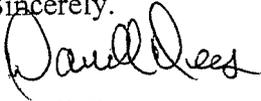
RE: LINE UPSIZE RATE 2004

Dear Mrs Whelan,

Enclosed is a breakdown of our 2004 Line Upsize Revisions. We have had a change of staff here, and while going through her files, I couldn't see where these revisions were sent to you. I apologize for this delay.

Our Priority List hasn't changed since last year, but the rate has gone down some. If you need any other information, please contact me at 502-747-8942 .

Sincerely,



Darrell Dees, mgr  
North Shelby Water

Phone: 502-259-2000

|                                  |          |
|----------------------------------|----------|
| <b>Page</b><br>1 of 1            |          |
| <b>Account Number</b><br>6500722 |          |
| <b>Statement Period</b>          |          |
| <b>From</b>                      | 12/01/04 |
| <b>To</b>                        | 12/31/04 |

NORTH SHELBY WATER COMPANY  
P O BOX 97  
BAGDAD, KY 40003

***Sweep Account***

**Line Upside Upcharge**

**North Shelby Water Company**

|                          |                   |
|--------------------------|-------------------|
| <b>Beginning Balance</b> |                   |
| <b>as of 12/01/04</b>    | <b>297,472.65</b> |
| Deposits & Other Credits | 459.86            |
| Checks & Other Debits    | 0.00              |
| Average Balance          | 297,472.65        |
| <b>Ending Balance</b>    |                   |
| <b>as of 12/31/04</b>    | <b>297,932.51</b> |

• **Transaction Information**

| <b>Date</b> | <b>Check #</b> | <b>Description</b>                 | <b>Amount</b> |
|-------------|----------------|------------------------------------|---------------|
| 12/21       |                | CR Rate Change: 1.740 % To 1.980 % |               |
| 12/31       |                | Interest Paid                      | 459.86        |

• **Daily Balance Information**

| <b>Date</b> | <b>Balance</b> | <b>Date</b> | <b>Balance</b> | <b>Date</b> | <b>Balance</b> |
|-------------|----------------|-------------|----------------|-------------|----------------|
| 12/31       | 297,932.51     |             |                |             |                |

\*\*\*Please see the Fee Schedule insert for new fees effective 2/1/05\*\*\*\*

581 - MAIN STREET BRANCH  
22 MAIN STREET

Certificate of Deposit Renewal

11/12/04  
DPN10502

HELBYVILLE, KY 40065-1118  
(502) 633-1000

Dear Customer,

Your Certificate of Deposit will mature on 12/01/04. Unless you instruct us differently, your account will automatically be renewed for another 90 - Day(s). You may request new rate information on the maturity date.

Relationship: Primary  
Account: CD-1700000541  
Rate: 1.25%  
Term: 90 - Day(s)  
Interest Payment Meth Capitalize  
Current Balance: \$225,671.03  
Maturity Date: 12/01/04  
Grace Period End D 12/11/04

NORTH SHELBY WATER COMPANY  
P O BOX 97  
BAGDAD, KY 40003

TRUTH IN SAVINGS DISCLO  
90 - Day(s) Renewable Certificate of Deposit

BALANCE COMPUTATION METHOD: We use the daily balance method to calculate the interest on your account. This method applies a daily periodic rate to the principal in the account each day. Interest begins to accrue on the business day you deposit noncash items (for example, Checks).

TRANSACTION LIMITATIONS: You are permitted NO deposits to your account and unlimited withdrawals from your account before the maturity date.

|                             |                     |                                 |                    |
|-----------------------------|---------------------|---------------------------------|--------------------|
| Minimum Amount to Open:     |                     | Minimum Balance Requirement:    |                    |
| Minimum Deposit Amount:     | N/A                 | Minimum Withdrawal Amount:      | No Minimum         |
| Renewal Interest Rate:      | Not Yet Determined* | Annual Percentage Yield:        | Not Yet Determined |
| Renewal Term:               | 90 - Day(s)         | Renewal Maturity Date:          | 03/01/05           |
| Renewal Policy:             | Renewable           | Early Withdrawal Penalty:       | NONE **            |
| Grace Period:               | 10 Day(s)           | Next Grace Period Ending Date:  | 03/11/05           |
| Interest Payment Frequency: | 90 - Day(s)         | Interest Compounding Frequency: | 90 - Day(s)        |

\* The interest rate and annual percentage yield have not yet been determined. You may obtain these rates on or after 12/1/04 by calling (502) 633-1000 during regular business hours. You will be paid the Renewal Interest Rate for 90 - Day(s). The Annual Percentage Yield assumes interest will remain on deposit until maturity. Any withdrawal of interest will reduce earnings.

\*\* An early withdrawal penalty may be imposed if you withdraw any of the principal before the maturity date.

If you have any questions, please call us at (502) 633-1000 during regular business hours.

**NORTH SHELBY WATER COMPANY**

**PROJECT 05-08**

**4/18/2005**

**LINE UPSIZE REVISIONS 2005**

| PROJECT NO. | PROJECT             | TOTAL COST  | LENGTH OF 6" PIPE |                      | PROJECT COST PER FOOT |
|-------------|---------------------|-------------|-------------------|----------------------|-----------------------|
| 04-05       | Vigo Road           | \$12,076.15 | 850               |                      | \$14.21               |
| 04-15       | Old Mill Village II | \$14,404.09 | 1005              |                      | \$14.33               |
| 04-19       | Oakmoor Woods       | \$33,642.00 | 2,467             |                      | \$13.64               |
|             |                     | \$60,122.24 | 4,322             | 2004 Cost/LF (AVG) = | \$13.91               |

Line Upside Charge is based upon 1/2 the average line cost of the previous year.

$$\frac{\$13.91}{2} = \$6.96 \text{ per foot}$$

## 2006

Priority List: This will show completion of projects 1 through 4 on the 2005 list

### Financial Information:

This will show the following LEC amounts expended in 2005:

- 1) \$68,300.00 paid to North Shelby to reimburse its O&M account for the amounts spent in 2003 on the #1 project on the 2003 Priority List – the Aiken Road Upgrade. LEC funds were used only on the Aiken Road portion of the project, not the Ash Avenue portion.
- 2) \$34,762.00 spent to construct the Bob Rogers Upgrade - #1 on 2005 Priority List.
- 3) \$47,183.00 spent to construct the Mulberry loop - #2 on 2005 Priority List.
- 4) \$54,618.50 spent to construct the Drane Lane loop - #3 on 2005 Priority List.
- 5) \$74,047.00 spent to construct the Trammell Road Upgrade and loop - #4 on 2005 Priority List.
- 6) \$34,010.00 paid to North Shelby to reimburse its O&M account for the previously constructed partial Harrington Mill Upgrade – NOTE this project was paid for in 2002 (see 2003 data) from LEC account and therefore this \$34,010.00 must be repaid to the LEC account.

2005 LEC collections to date total \$35,991.43

LEC account transferred from Commonwealth Bank & Trust Company (formerly Shelby County Trust Bank) to Citizens Union Bank because only Citizens Union Bank has branch near company office.



12/14/05  
 NORTH SHELBY WATER CO  
 Prev stmt bal:  
 Beginning balance:

Deposit Inquiry  
 Account number..  
 No/amt of debits:  
 No/amt of credits:

10:43:44  
 83887 D  
 0 .00  
 0 .00

R=DDRET Return items  
 Control:

| amt | Posted   | Effective | S | 21 | T/C | Serial          | Amount     | Batch, Seq, | Description |
|-----|----------|-----------|---|----|-----|-----------------|------------|-------------|-------------|
|     | 7/19/05  | 7/19/05   | P |    | 41  |                 | 334,505.22 |             | 334,505.22  |
|     | 7/19/05  | 7/19/05   | P |    | 70  |                 | 74,047.00  |             | 260,458.22  |
|     | 7/19/05  | 7/19/05   | P |    | 70  | - checks for    | 68,300.00  |             | 192,158.22  |
|     | 7/19/05  | 7/19/05   | P |    | 70  | - priority list | 54,618.50  |             | 137,539.72  |
|     | 7/19/05  | 7/19/05   | P |    | 70  | - projects      | 47,183.00  |             | 90,356.72   |
|     | 7/19/05  | 7/19/05   | P |    | 70  |                 | 34,762.00  |             | 55,594.72   |
|     | 7/19/05  | 7/19/05   | P |    | 70  |                 | 34,010.00  |             | 21,584.72   |
|     | 8/03/05  | 8/03/05   | P |    | 41  |                 | 9,538.26   |             | 31,122.98   |
|     | 8/23/05  | 8/23/05   | P |    | 41  |                 | 1,691.28   |             | 32,814.26   |
|     | 8/31/05  | 8/31/05   | P |    | 41  |                 | 3,494.55   |             | 36,308.81   |
|     | 9/13/05  | 9/13/05   | P |    | 41  |                 | 1,764.64   |             | 38,073.45   |
|     | 10/07/05 | 10/07/05  | P |    | 41  |                 | 696.00     |             | 38,769.45   |

Bottom  
 F3=Exit F6=Bal Iq F7=Scan F8=Scan back F11=Prior bal F12=Prev  
 F13=Serial Order F15=EFT F17=Top F18=Bottom F22=Unfold

2005 LEC EXPENDITURES

Corporate Office  
1854 Midland Trail  
P.O. Box 189  
Shelbyville, KY 40066-0189  
Member FDIC



Call Center  
(502) 633-4450  
1-866-633-4450  
CUB Phone (502) 633-0002  
www.cubbank.com

11/01/05 to 11/30/05  
Account 83887  
Page 1 of 1

\*\*\*\*\*AUTOCR\*\*B001  
13 0.4494 AC 0.275 1 1 13  
NORTH SHELBY WATER CO  
LINE UPSIZE  
BOX 97  
BAGDAD KY 40003-0097

YTD Interest: 0



**Type Of Account**

**BUSINESS CHECKING**

**Statement Summary**

|  |    |           |
|--|----|-----------|
| Beginning balance on November 01, 2005 | \$ | 38,769.45 |
| Total Deposits and Credits: 0          | +  | .00       |
| Total Checks and Debits: 0             | -  | .00       |
| Service Charge                         | -  | .00       |
| <hr/>                                  |    |           |
| Ending balance on November 30, 2005    | \$ | 38,769.45 |

**\*\* No Deposits**

**\*\* No Checks**

CB&T - Main Street Branch  
422 Main Street  
Shelbyville KY 40065-1118

Certificate of Deposit Renewal Notice

11/08/2005  
DPN10502

NORTH SHELBY WATER COMPANY  
P O BOX 97  
BAGDAD KY 40003

Dear Customer,

Your Certificate of Deposit will mature on 11/26/2005. Unless you instruct us differently, your account will automatically be renewed for another 90 - Day(s). You may request new rate information on the maturity date.

|                          |               |
|--------------------------|---------------|
| Account:                 | CD-1700000541 |
| Relationship:            | Primary       |
| Rate:                    | 1.34%         |
| Term:                    | 90 - Day(s)   |
| Interest Payment Method: | Capitalize    |
| Current Balance:         | \$227,953.01  |
| Maturity Date:           | 11/26/2005    |
| Grace Period End Date:   | 12/06/2005    |

TRUTH IN SAVINGS DISCLOSURE  
90 - Day(s) Renewable Certificate of Deposit

**BALANCE COMPUTATION METHOD:** We use the daily method to calculate the interest on your account. This method applies a daily periodic rate to the principal in the account each day. Interest begins to accrue on the Business day you deposit noncash items (for example, Checks).

**TRANSACTION LIMITATIONS:** You are permitted NO deposits to your account and unlimited withdrawals from your account before the maturity date.

|                             |                      |                                 |                      |
|-----------------------------|----------------------|---------------------------------|----------------------|
| Minimum Amount to Open:     | \$0.00               | Minimum Balance Required:       | \$0.00               |
| Minimum Deposit Amount:     | N/A                  | Minimum Withdrawal Amount:      | N/A                  |
| Renewal Interest Rate:      | Not Yet Determined * | Annual Percentage Yield:        | Not Yet Determined * |
| Renewal Term:               | 90 - Day(s)          | Renewal Maturity Date:          | 02/24/2006           |
| Renewal Policy:             | Renewable            | Early Withdrawal Penalty:       | 0 - Interest **      |
| Grace Period:               | 10 Day(s)            | Next Grace Period Ending Date:  | 03/06/2006           |
| Interest Payment Frequency: | 90 - Day(s)          | Interest Compounding Frequency: | 90 - Day(s)          |

\* The Interest rate and annual percentage yield have not yet been determined. You may obtain these rates on or after 11/26/2005 by calling (502) 232-7020 during regular business hours. You will be paid the Renewal Interest Rate for 90 - Day(s). The Annual Percentage Yield assumes interest will remain on deposit until maturity. Any withdrawal of interest will reduce earnings.

\*\* An early withdrawal penalty may be imposed if you withdraw any of the principal before the maturity date.

If you have any questions, please call us at (502) 232-7020 during regular business hours.

b. State the years, if any, in which North Shelby failed to make the required annual filing. For each year in which North Shelby failed to submit the required filing, provide the required information and an explanation for North Shelby's failure to file.

**ANSWER: 1996. In 1995, the year in which the LEC was approved, Billy Allen died after a lengthy illness. Mr. Allen had been the Manager for North Shelby for many, many years. Darrell Dees was hired as the new Manager. In addition to being the Manager, Mr. Allen had a construction company which had done most of North Shelby's repair work on a contract basis. Subsequent to Mr. Allen's death, Mr. Dees discovered many instances where Mr. Allen's company had been paid for work which had either not been performed, or which had been performed in a sub-standard fashion. Mr. Dees had first been hired by Mr. Allen to work for Mr. Allen's construction company, and had then been hand-picked by Mr. Allen to succeed him as Manager of North Shelby. Mr. Dees was therefore very close to Mr. Allen, and had difficulty dealing with the loss of Mr. Allen and the subsequent discovery of Mr. Allen's wrongdoings. Additionally, the other long-term North Shelby office employee, the Office Manager, refused to cooperate with Mr. Dees because she felt she should have been named manager. She also had great difficulty dealing with Mr. Allen's death. The Office Manager was subsequently discharged by North Shelby. Mr. Allen's death and the difficult transition following his death is the likely reason North Shelby failed to file the required information in 1996.**

**2001. After the Office Manager was fired, North Shelby employed Russell Rose, who served as the Assistant Manager, in charge of office operations. Mr.**

Rose resigned from North Shelby in July 2001. Prior to his resignation, Mr. Rose had been responsible for filing the LEC information with the Commission. Apparently, upon Mr. Rose's resignation, he did not advise anyone that this information needed to be filed and no one else in the office was aware that the information needed to be filed. It appears no one at North Shelby was aware the required information had not been filed until the PSC audit by Chris Whalen in 2005.

2002. See 2001 explanation above.

2003. See 2001 explanation above.

2004. See 2001 explanation above.

2005. This information is not yet due.

See the answer to question 7a for the available omitted information for each year.

c. At page 10 of its Report, Staff notes that the utility established an escrow account from which it could not write checks and that it “moved” \$200,000 from the escrow account to a certificate of deposit in 2000. It is further noted that in May of 2005, North Shelby closed the escrow account by transferring all funds to its construction account.

(1) What type of account did North Shelby establish as the escrow account?

**ANSWER: A Money Market Savings Account entitled “Line Upsize Surcharge”, Account No. 5115159 with Shelby County Trust Bank, now known as Commonwealth Bank & Trust Company.**

(2) What approval did North Shelby obtain from the Commission to transfer \$200,000.00 from the escrow account to a certificate of deposit?

**ANSWER: No approval was sought because it was believed none was needed. This occurred at a time when interest rates were falling and a decision was made to place this money in a Certificate of Deposit (hereinafter "CD") in order to obtain the maximum interest rate. This decision was made by Russ Rose. The money was still considered as part of the LEC restricted account even though it was in a separate CD. When Mr. Rose left North Shelby, he did not advise any one of the existence of this CD. North Shelby's CPA was aware of the CD and the fact that it consisted of LEC restricted funds. When this CD matures in 2006, the funds will be placed back in the LUC escrow account.**

(3) What approval did North Shelby obtain from the Commission to close the account?

**ANSWER: None. At the time the account was closed, North Shelby was preparing to construct at least four separate projects utilizing LEC funds. Mr. Dees was under the impression no checks could be written on the existing account, which is what he had been told by the previously discharged Office Manager. Mr. Dees does not have a financial background and did not question this directive. After consultation with North Shelby's CPA, and upon the CPA's advice, Mr. Dees closed the account and transferred all of the funds into North Shelby's construction account. The CPA indicated he would still keep track of the amount of LEC funds in the construction account as a separate fund category even though those funds were now co-mingled with other construction funds. At all times North Shelby was aware and treated the LEC funds as separate restricted funds.**

(4) State whether North Shelby has re-established the escrow account and describe the type of account that it established.

**ANSWER:** Upon being advised by Commission Staff that its actions were improper, North Shelby immediately re-established a separate interest-bearing escrow account and transferred all of the LEC funds into that account. North Shelby opened this account at Citizens Union Bank, account no. 0083585. North Shelby then withdrew from this CUB LEC account \$149,493.00 which was transferred to North Shelby's O & M account to repay North Shelby for three LEC projects which North Shelby had temporarily financed using general revenue funds: \$47,183.00 for the Mulberry loop, \$68,300.00 for the Aiken Road upgrade, and \$34,010.00 for the Harrington Mill Road upgrade. An additional \$163,427.50 was transferred into North Shelby's construction account to pay for three LEC projects then in progress: \$54,618.50 for the Drane Lane loop, \$34,762.00 for the Bob Rogers Road upgrade, and \$74,047.00 for the Trammell Road loop.

d. At page 11 of the Report, Commission Staff reports one instance in which North Shelby charged a customer a Line Enlargement Charge that was \$2.56 per foot higher than was charged to other customers. State whether North Shelby charged a different rate to one customer than it did to others. Explain.

**ANSWER: North Shelby did not charge a different rate to one customer than it did to other similarly situated customers. Generally, plats are presented by developers to North Shelby's Board of Directors for review and approval. The plats are not signed by North Shelby until the LEC has been paid. Usually, the developers submit the LEC check at the same time the plat is submitted for approval. In these instances, the rate paid by the developer is the same rate in effect on the date the plat is approved by the Board. Occasionally, developers fail to pay the LEC until some time after the plat is approved by the Board. In those circumstances, North Shelby has consistently believed that the rate charged the developer should also be the rate which was in effect on the night the plat is approved by the Board, rather than the rate which may be in effect several weeks or months later. The customer which was charged \$2.56 per foot "higher" was charged the amount which was in effect on the night that customer's plat was approved by the Board. The LEC rate subsequently declined for the next year. Since the customer's check was not received until after the LEC rate had changed for the next year, it only appears he was charged a different rate.**

e. Explain why, if Commission Staff's allegations of failure to report and improper assessment of the Line Enlargement Charge are correct, the Commission should extend the charge for an additional ten years.

**ANSWER: To the best of North Shelby's knowledge, there have been on allegations by the Commission Staff that any LEC funds are missing or have been improperly expended; rather the allegations consist of North Shelby's failure to file the required reports with the Commission. North Shelby admits and regrets its failure to file the required reports. If the Commission extends the charge for an additional ten years, North Shelby's attorney will personally assume the responsibility for ensuring that the reports are timely filed each year. Because of the fact that no funds are missing or have been misspent, and given this assurance of timely future compliance, the Commission should extend the charge for an additional ten years because the LEC is a superior method for raising revenue to enlarge distribution water mains rendered undersized by development which those lines were never designed nor intended to support. The LEC is superior to all other methods because it is paid by the developer, not by North Shelby's existing customers in the form of a general rate increase or a system-wide surcharge, nor by a future North Shelby customer in the form of a system development charge paid by that customer when the customer applies for a meter. The economic burden of building distribution water main infrastructure necessary to support development should be born by the developers rather than the utility's customers. North Shelby will continue to finance system-wide**

**infrastructure upgrades, such as water tanks and pumping stations, through retained earnings, grants, and if necessary a system-wide rate increase. The Commission should extend the LEC to protect North Shelby's customers from a rate increase or surcharge they should not have to pay. This is why the LEC was first approved by the Commission, and this need to protect the customers is just as compelling today as it was ten years ago.**

8. North Shelby reported in its 2004 Annual Report the following cash and investment account balances:

|                               |                      |
|-------------------------------|----------------------|
| Utility and Other Investments | \$ 813.00            |
| Other Special Funds           | \$ 1,928,716.00      |
| Cash                          | \$ 638,547.00        |
| Working Funds                 | <u>\$ 248,833.00</u> |
| Total                         | \$ 2,816,909.00      |

a. List by account number all bank accounts, certificates of deposits, or other investments included in the annual report accounts as shown above. For each listed account or investment, state the account balance as of December 31, 2004 and the current balance.

**ANSWER: See attached PSC Report Cash and Investment Account Detail for year ending December 31, 2004.**

**NORTH SHELBY WATER CO.  
PSC REPORT CASH AND INVESTMENT ACCOUNT DETAIL  
REPORT YE 12/31/04**

**UTILITY AND OTHER INVESTMENTS**

| <u>GL ACCT #</u> | <u>BANK ACCT #</u> | <u>BANK</u> | <u>ACCOUNT DESCRIPTION</u> | <u>BAL. 12/31/04</u> | <u>BAL. 10/31/05</u> |
|------------------|--------------------|-------------|----------------------------|----------------------|----------------------|
| 375              | NA                 | CO Bank     | Stock - Co Bank            | 812.67               | -                    |
| <b>TOTAL</b>     |                    |             |                            | <u>812.67</u>        | <u>-</u>             |

**OTHER SPECIAL FUNDS**

| <u>GL ACCT #</u> | <u>BANK ACCT #</u> | <u>BANK</u> | <u>ACCOUNT DESCRIPTION</u>       | <u>BAL. 12/31/04</u> | <u>BAL. 10/31/05</u> |
|------------------|--------------------|-------------|----------------------------------|----------------------|----------------------|
| 202              | 650-060-9          | CB & T      | Cash - Debt Service Account      | 649,010.61           | 648,744.09           |
| 215              | 600-677-9          | CB & T      | Cash - Depreciation Account      | 139,290.81           | 164,361.34           |
| 250              | CD# 1700000543     | CB & T      | Investments - Depreciation Fund  | 127,788.87           | 128,261.73           |
| 240              | CD# 73826          | CUB         | Investments - Reserve Fund       | 25,828.49            | 26,119.07            |
| 240              | CD# 1700000561     | CB & T      | Investments - Reserve Fund       | 286,298.65           | 287,358.48           |
| 205              | 1094904            | CUB         | Cash - Franklin Co. Construction | 75,489.02            | 75,577.58            |
| 206              | 83585              | CUB         | Cash - Construction/Extension    | 95,656.98            | 78,378.55            |
| 218              | 1141058            | CUB         | Cash - School Tank Project       | 5,054.56             | 5,060.48             |
| 310              | 650-072-2          | CB & T      | Cash - Line Upsize Charge        | 297,932.51           | 38,769.45            |
| 310              | CD # 1700000541    | CB & T      | Cash - Line Upsize Charge        | 226,364.69           | 227,202.31           |
| <b>TOTAL</b>     |                    |             |                                  | <u>1,928,715.19</u>  | <u>1,679,833.08</u>  |

**CASH**

| <u>GL ACCT #</u> | <u>BANK ACCT #</u> | <u>BANK</u> | <u>ACCOUNT DESCRIPTION</u>        | <u>BAL. 12/31/04</u> | <u>BAL. 10/31/05</u> |
|------------------|--------------------|-------------|-----------------------------------|----------------------|----------------------|
| 302              | NA                 | NA          | Petty Cash                        | 150.00               | 150.00               |
| 303              | 53066              | CUB         | Cash - Revenue Fund               | 119,597.72           | 166,826.48           |
| 307              | 52922              | CUB         | Cash - Operations and Maintenance | 518,799.18           | 305,422.00           |
| <b>TOTAL</b>     |                    |             |                                   | <u>638,546.90</u>    | <u>472,398.48</u>    |

**WORKING FUNDS**

| <u>GL ACCT #</u> | <u>BANK ACCT #</u> | <u>BANK</u> | <u>ACCOUNT DESCRIPTION</u>          | <u>BAL. 12/31/04</u> | <u>BAL. 10/31/05</u> |
|------------------|--------------------|-------------|-------------------------------------|----------------------|----------------------|
| 330              | 73822              | CUB         | Investments - Operations and Maint. | 135,580.98           | 136,392.24           |
| 330              | 1700000542         | CB & T      | Investments - Operations and Maint. | 113,251.80           | 113,670.87           |
| <b>TOTAL</b>     |                    |             |                                     | <u>248,832.78</u>    | <u>250,063.11</u>    |

**GRAND TOTAL**

|                     |                     |
|---------------------|---------------------|
| <u>2,816,907.54</u> | <u>2,402,294.67</u> |
|---------------------|---------------------|

b. For each account listed in Item 8(a), provide a detailed description of all restrictions of usage of the account's funds.

**ANSWER:**

**DESCRIPTION OF RESTRICTIONS OF USAGE OF FUNDS**

| ACCOUNT#      | RESTRICTIONS  |
|---------------|---|
| 375           | This was a loan requirement of CO Bank. During 2005, it was redeemed.   |
| 202           | Restricted by loan contracts to be used only to pay annual principal and interest.  |
| 215, 250      | Restricted by loan contracts to be used only for capital expenditures.  |
| 240           | Restricted by loan contracts to be used only for repairing, replacing, damaged caused by unforeseen catastrophe, improvements to the facility, and if necessary, making principal and interest payments in the event the Debt Service Account (#202) is insufficient to meet such payments. |
| 205, 206, 218 | Restricted to pay for specific construction projects.   |
| 310           | Restricted to pay for upsizing and loops to undersized lines.   |

9. From information contained in North Shelby's 2004 Annual Report, Staff has determined that North Shelby collected revenues sufficient to fund 99.16 percent or \$256,759.00 of its Depreciation Expense reported for 2004 of \$258,927.00.

a. List each ordinary plant extension and/or replacement that North Shelby has funded through general rate revenues for the previous 5 years beginning with 2004. For each listed extension or replacement, describe the extension or replacement and state the total cost and date of completion.

**ANSWER:**

**Ash Avenue--A new connection to Louisville Water Company using 8-, 12- and 16-inch waterlines was constructed with a combination of Company funds and funds from Kentucky Department of Prisons. The total cost of the project was \$218,475.64. The Company paid \$15,442.00 of the total. All of the Ash Avenue, an existing 3-inch line, was re-built to the prison property with 12- and 16-inch lines. The prison elected to use only 8-inch pipe on their property. The total pipe installed was 6,981 linear feet. The project was completed in January 2002.**

**Snow Hill, Devil's Hollow and Monroe Lane--The Company is expected to spend \$102,196.00 in Company funds on this project, which is now being completed.**

b. Given the fact that in 2004 North Shelby funded over 99 percent of its depreciation expenses and has amassed \$2,816,909.00 in cash reserves as of December 31, 2004, an increase of \$277,384.00 from the previous year, explain how funding the average annual Line Enlargement Charge improvements of \$32,094.00 (\$312,921.00 funds spent as of August 17, 2005 / 9.75 years) through general rate revenue would have had a material impact on North Shelby's operations and thus warrant special treatment through a separate charge.

**ANSWER: Funding the LEC improvements completed to date out of general revenue would not have had a material impact on North Shelby's operations over the last ten years. However, this is not the entire story. The single largest LEC project has not been constructed because the LEC fund has never had sufficient money to build that project. That project, which is the no. 1 priority project on the LEC list, is replacing the undersized Harrington Mill Road, Scott Station Road, Antioch Road, Todds Point Road, Noland Pike and Long Run Road mains, which is expected to cost \$2,391,000.00. If this not-yet constructed projected is added to the previously constructed projects, North Shelby would have spent \$2,703,921.00, which would have had a very material impact on North Shelby's operations. In addition to these projects, North Shelby also needs to spend approximately \$300,000.00 to upsize its Bellpoint Pump Station and Frankfort's supply line leading to that pump station, spend \$400,000.00 to upsize a Transmission Main from 12-inch to 16-inch being built jointly by U.S. 60 Water District and North Shelby from Frankfort to Peytona, and construct two more overhead storage tanks in the next five to ten years. These projects will**

more than consume all of North Shelby's unrestricted cash reserves. It is also important that the Mulberry loop and Drane Lane loop did not replace the undersized lines, they merely reinforced those lines allowing North Shelby to defer eventual replacement of those lines as growth on those roads occurs. North Shelby has constructed a number of other loops in the past ten years, both with company funds and with developer funds, which have likewise enabled North Shelby to defer upsizing other water mains, all of which will in all likelihood need to be replaced eventually as development continues to occur.

Respectfully Submitted,

MATHIS, RIGGS & PRATHER, P.S.C.

By: 

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